

---

# The A&B Tax Guide

---

## Making it simpler to give to the arts

---

An introduction to tax-effective giving to the arts

---

## Contents

Introduction	4
Transitional Relief	5
Donations	6
Cash gift for lower rate tax payers	8
Case Study – Theatre Royal, Bury St Edmunds	9
Cash gift for higher rate taxpayers	10
Case Study – The Royal Ballet	11
Payroll giving	122
Case Study – Create	133
Gift of shares, land and buildings	144
Case Study – Wordsworth Trust	155
Legacies	166
Case Study – Helmsley Arts Centre	167
Time, energy and skills	18
Case Study – Sheffield Galleries & Museums Trust	18
Our top ten tips for arts organisations	19

*“The art of giving should be part of all our lives. It is right that people give back part of what they have made from society, and one of the most enduring ways to do this is to support the arts so that they remain vital and vibrant for future generations. Of course such support should make the best possible use of the available tax incentives. Arts & Business is ideally placed to ensure that people give to the arts tax effectively, and I therefore welcome A&B’s online tax guide and wish it every success.”*

**The Rt Hon Margaret Hodge MP**, Minister for Culture,  
Creative Industries & Tourism (2007-2008)

## Introduction

Strong public investment coupled with the highest ever levels of private investment at almost £690 million<sup>1</sup> has made the arts a real success story today.

Since the introduction of Gift Aid in 1990, major steps have been taken to improve the tax treatment of donations in this country. The cumulative effect of these changes has meant that the UK now has one of the best systems for tax-efficient giving in the world. In other words, there has never been a better time to support the arts.

Developed with the support of the DCMS and Deloitte, the purpose of this publication is to ensure that you are giving to the arts tax efficiently. It focuses on individual giving and includes a series of case studies that show how people are already supporting the arts.

It is important to note that this publication only covers the key basic points. A more comprehensive guide will be available on the Arts & Business website.

Private giving is a key growth area for arts funding and the role of the individual has really come of age. We now need to ensure that this private money creates continued growth and excellence for the arts. Whether you give cash, shares, land, property, time, energy or skills, you are making a vital contribution to the UK's heritage scene and cultural life.

The art of giving should be part of all our lives.

All the case studies in this publication are based on true stories, although the name of the donor may have been changed in some of them.

**Please note: We strongly urge you to seek professional advice on any matters relating to tax.**

---

<sup>1</sup> Figure taken from "Private Investment in Culture" survey, Arts & Business, 2008

## **Transitional Relief**

In April 2008, the basic rate of tax was lowered from 22% to 20%. As Gift Aid is based on the amount of tax paid, this change has meant that the amount of Gift Aid that charities can claim has also been reduced (although it has also meant that the amount of Gift Aid that higher rate tax payers can claim has increased). To help charities with the resulting drop in their Gift Aid claims, the Government have offered transitional relief for three years from 2008, which will effectively return Gift Aid claims to the pre-April 2008 levels. Throughout this document we will quote Gift Aid amounts both with and without transitional relief as they stand today. For the most recent details on the government's current plans for Gift Aid, please visit the HM Revenues and Customs website at [www.hmrc.gov.uk](http://www.hmrc.gov.uk).

---

## Donations

A donation is a gift of cash, shares or other assets that has been given freely and with no expectation of any benefits in return.

To take advantage of the various tax breaks that are available, a donation has to be given to an arts or cultural organisation that is also a registered charity.

Although the donor should formally have no expectation of any benefit in return, some arts organisations are able to offer a wide variety of benefits to thank their supporters.

### Benefits range from:

- Free tickets
- Discounts on purchases
- Special events and other activities to help the donor better understand their work

In recognition of the importance that such “thank you” benefits can have in encouraging philanthropy, a donor can have a certain amount of benefits in return for their support and still claim the tax breaks available. How much they can receive in return will depend on the value of the donation and the monetary value of the benefits they are receiving.

### The limits are outlined here:

---

Amount of gift	Amount of acceptable benefit
Less than £100	25% of the gift
£100-1,000	£25
£1001-10,000	5% of the gift
£10,001+	£500

---

Some benefits are not included in this. An arts organisation can acknowledge your support, keep you informed of their work and, in a limited number of cases, give you free access, without the value of these benefits being included in the above calculations.

If you join a membership scheme and the benefits from that scheme exceed the limits listed in the table, then your payment to join that scheme cannot be considered as a donation. This

means that the payment is not eligible for any tax break. Moreover, if the arts organisation is registered for VAT, they may need to charge VAT on the membership.

*“We have a good system of tax breaks that if well understood and utilised, can do much to support and encourage cultural giving in this country. I am not just talking about the high level and high profile gifts here. It is equally important to ensure that those who want to give £1 or £2 in a donation box are fully aware of how that support can be given tax efficiently.*”

*The challenge for now is to ensure that everyone who cares about sustaining the arts is aware of and able to use the tax breaks available. That is why I welcome and wholly endorse this new tax guide and the commitment of Arts & Business to help demystify tax breaks for the arts.”*

**Sir John Ritblat, Chairman, The Wallace Collection**

## Cash gift for lower rate tax payers

If you are a lower rate taxpayer and you make a direct cash donation to an arts charity, then that charity is able to claim from the Government the tax you pay on the income you donate.

Gift Aid works on the principle that in order to have £50 in your pocket to donate to an arts charity, you have had to earn £62.50. The difference, £12.50, is the income tax you are paying on your earnings. For most people this tax is automatically deducted from their pay by their employer through a system called PAYE. For self-employed people, the tax is calculated when they complete their tax returns.

Gift Aid allows the charity to claim this income tax you have (or will have) to pay on the money you have donated to them.

To enable this to happen, you will need to complete a Gift Aid declaration that confirms that you are a UK taxpayer and agree to Gift Aid being claimed by the arts charity (neither the charity nor the Inland Revenue can use the form for any other purpose).

If you make a £50 cash donation to an arts charity and that charity makes a Gift Aid claim, then that donation could be worth £62.50\* to that charity.

\*£64.10 with transitional relief

## Case Study – Theatre Royal, Bury St Edmunds

As the sole surviving Regency playhouse in this country, the Theatre Royal has a fascinating story to tell. Built in 1819 it is one of the most beautiful, intimate and historic theatres in the world. In 2005 it was decided to close the Theatre for an ambitious restoration project that would not just achieve some much needed repair work, but also re-instate the building's original 1819 configuration and decorative scheme. Undertaking such a complex project was never going to be easy and raising the £5.3m needed to fund it was also going to be a significant challenge.

As part of their fundraising campaign, the Theatre created the Royal Million Scheme, hoping to attract 1,000 people who would each commit to giving £1,000. Recognising that this represented a considerable sum for many people, the Theatre highlighted how, by using Gift Aid, their supporters would only need to pledge £800. This would then enable the theatre to make a Gift Aid claim for a further £200\*, bringing the effective value of the donation up to £1,000.

The plan worked, and in September 2007 the Theatre reopened with an acclaimed production of *Black Eyed Susan*. Michael Billington opened his *Guardian* newspaper review of the production by saying what the Theatre's legion of supporters all felt: "Is there a more beautiful theatre in Britain than this restored Regency gem? I doubt it."

\*£218 with transitional relief



## Cash gift for higher rate taxpayers

If you are a higher rate taxpayer and you make a direct cash donation to an arts charity then you are able to claim through Gift Aid some of the tax you have paid on that income. The Charity is also able to make a claim under Gift Aid.

The donation is worth more to the charity because they are able to claim the basic rate tax you have paid on the income you have donated. As a higher rate taxpayer, you are able to claim the difference between the lower rate tax (that the charity is claiming) and the higher rate of tax that you have actually paid.

To enable this to happen, you must first complete a Gift Aid declaration for the arts charity that confirms that you are a UK taxpayer and agree to Gift Aid being claimed by them. You then need to make your claim via your tax office. How you do this will depend on how you are paid. For further information on the steps you need to take, please visit the HMRC website [www.HMRC.gov.uk](http://www.HMRC.gov.uk).

If you decide to make a £500 cash donation to an arts charity, it could be worth £625\* to that charity and yet only cost you £375.

\*£641 with transitional relief

### The 50% Tax band

From April 2010, there will be a third Income Tax band of 50% for those people earning £150,000 or more. Under current plans, such people will be able to make a Gift Aid claim based on their full tax payment. This will mean that if a person earning over £150,000 makes a £500 gift, after April 2010 this gift will only cost them £312. Further information on this will be available closer to the time.

## Case Study – The Royal Ballet

While ballet dancers need grace, agility and strength, they also need ballet shoes. Dancers use countless pairs every year which is why The Royal Ballet set up the Pointe Shoes Appeal.

Mr Smith, a lawyer from Manchester who has a passion for ballet, this year made a donation of £500 to The Royal Ballet Pointe Shoes Appeal – equivalent to 20 pairs of pointe shoes.

Thanks to the Gift Aid scheme, The Royal Opera House Foundation was able to claim a further £141\* that Mr Smith was paying in tax to the Government. Moreover, as Mr Smith was subject to a higher rate tax, he was able to benefit from further savings of up to 25% of the net gift by making a claim to HM Revenue and Customs in his tax return. This saving of £125 is enough money for two excellent seats at The Royal Ballet and a couple of drinks during the interval.

A £500 gift only cost Mr Smith £375 and was worth £641 to the Royal Opera House Foundation. This has enabled 20 ballet dancers do what they do best.

\* £125 without transitional relief



## Payroll giving

Payroll giving can be one of the most tax efficient ways in which you can support the arts as you will benefit from the maximum tax break available.

If you want to support the arts through your payroll, you will need to talk to your employer. They will have to engage the services of a Payroll Giving Agency to do all the administration work, deducting a small fee from your donation to cover their costs. The donation then goes from your employer to the charity via the Payroll Giving Agency. This process can take a number of months.

It is worth checking whether your employer is one of the many companies who will match employee donations.

If you give £100 to an arts organisation and you are a lower rate taxpayer then that donation will cost you £100. However, if you give the same amount through your payroll, it would cost you £80. If you are a higher rate taxpayer, the same donation will only cost you £60.

If you give £100 to an arts organisation and you are a lower rate taxpayer then that donation will cost you £100. However, if you give the same amount through your payroll, it would cost you £80. If you are a higher rate taxpayer, the same donation will only cost you £60.

## Case Study – Create

Create is a dynamic charity that develops and delivers a UK-wide programme of creative arts projects for some of the most disadvantaged and vulnerable people in our society. Led by leading professional artists – such as musicians, dancers, writers and actors – Create’s projects give participants a chance to explore their creativity, develop life skills and, above all, gain a sense of self-worth.

David Turner is a successful banker who lives with his wife and two young children in Kent. He loves music and was keen to support a charity that works with children who do not enjoy the same opportunities as his own. Create offers every individual who wishes to support its work opportunities to see its projects in action. Keen to maximise his contribution to Create, David opted for payroll giving. His donations are deducted before tax so, as a higher rate taxpayer, he is able to give Create a gift of £100 a month at a cost of just £60 to himself. Furthermore, David works for a company that matches employees’ gross donations by £2 for every £1 given.

So, for David’s gift of £60 a month, Create receives a monthly donation of £300. This invaluable contribution supports and sustains the important work which Create carries out which makes a difference to the lives of those who need it most.



## Gift of shares, land and buildings

Giving shares, land and buildings can be a very tax efficient way to support the arts. The reason for this is that you can offset the market value of the assets against your income before calculating tax. Furthermore, neither you nor the arts charity who receive the assets will be liable for any Capital Gains Tax.

There are some important caveats on the gift of shares. First, you can only give certain types of shares. Second, you have to deduct the value of any benefits you are receiving when calculating the value of your gift (although you can add the cost of transferring ownership of the shares). Third, you need to check that it wouldn't actually be better for you to sell the shares and donate the proceeds because of your particular Capital Gains Tax position.

In all these matters, please seek professional advice about your specific situation.

A cash gift of £1,000 would cost a higher rate taxpayer £750, but a £1,000 gift of shares might cost you only £600.00

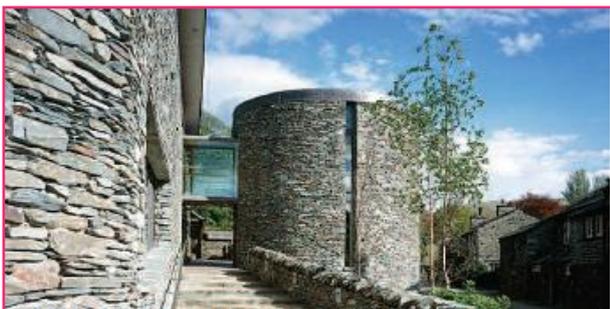
## Case Study – Wordsworth Trust

The Wordsworth Trust was set up to celebrate the contemporary as much as to remember the past. It offers modern visual art and poetry readings set against the backdrop of Dove Cottage, historic home of William Wordsworth (1799-1808), plus a museum containing unique portraits and manuscripts.

John Wright, a successful businessman, sold his company and retired to the Lake District, close to the home of William Wordsworth. His financial support began with a small donation, but as a result of learning more about the Trust, he subsequently gave a four-figure donation through Gift Aid to the Trust's endowment. Most recently, John decided to further support the endowment by giving shares in an AIM listed company, worth a five-figure sum.

Endowment fundraising presents a particular challenge, especially to a small organisation like the Wordsworth Trust. John's donation of shares has given the Trust important leverage as it seeks to encourage other donors, local and national, to support the endowment that will ultimately secure its long-term future.

By supporting The Wordsworth Trust endowment, John is helping to secure the future of this arts organisation in a historic location that inspired one of England's most famous romantic poets.



## Legacies

Leaving a legacy to the arts in your will can be a tax efficient way to help ensure that your chosen arts charity will be able to continue its great work for generations to come. Legacies are deducted from your estate before inheritance tax is calculated.

Different rules apply depending on whether you are giving cash, shares, works of art, land or buildings.

If you are leaving cash, then there are different provisions you can make in your will to determine whether the arts organisation gets a set amount or a percentage of your estate.

If you leave £10,000 to an arts charity in your will, then that might only cost your estate £6,000

## Case Study – Helmsley Arts Centre

Helmsley is a small, historic market town on the edge of the North York Moors National Park. In a courtyard in the centre of the town is a small building originally built in 1812 as a Quaker meeting house, but since 1993 has been the home of Helmsley Arts Centre. With a varied programme of theatre, music, film, talks and community arts activity, this volunteer run

Arts Centre's ambitions have only ever been stifled by shortages of capital and space.

Mrs Dorothy Morley, a Helmsley resident, was a strong supporter of the centre from the start, becoming one of its first 'Friends'. A few years ago she mentioned to the Arts Centre that she planned to write a specific legacy in her will, leaving her house to the centre. This generous gift also reduced the size of her estate on which inheritance tax would be calculated, making it a very tax-efficient gift.

Mrs Morley died, aged 92, in 2005. After careful consideration, the Arts Centre decided that the best way forward would be to sell the house and use the proceeds to spearhead a sensitive development of the Arts Centre, adding new backstage space which would include a rehearsal room and scenery workshop. Although the cost of this project was roughly equal to the value of the legacy, the Arts Centre's trustees were also able to use the legacy to leverage grant money from public sources, ensuring that some of the proceeds could be retained for further developments.

The new space, named the Dorothy Morley Room in honour of its generous benefactor, was opened by HRH the Duke of York in October 2007.



## Time, energy and skills

Although the arts need financial support in order to continue their work, many also need the time, energy and skills of volunteers to help undertake that work.

Some art organisations do not have the resources to pay for all the staff they need. You could be making a vital contribution by volunteering your time to take tickets, give tours or do building maintenance.

If you have more specialist skills, you could offer those to help on particular projects, whether it is writing a business plan, sorting out personnel issues or reviewing a legal contract.

Finally, you could offer to join the Board of an arts organisation to shape its future direction. If you would like to know more about joining the Board of an arts organisation then contact your local Arts & Business office.

## Case Study – Sheffield Galleries & Museums Trust

Sheffield Galleries & Museums Trust oversees one of the world's most important collections of cutlery and domestic decorative metalwork and is suitably located in a city with an illustrious and industrious past.

Founded in 1773, the Sheffield Assay Office is one of four Assay Offices across the UK to assay and hallmark gold, silver and platinum. Up to 8 million items now pass through Sheffield Assay Office in a single year.

Sheffield Galleries & Museums Trust has built up an excellent working relationship with the current Assay Master, Ashley Carson. Ashley's passion for all things metal and for the city he lives and works in has inspired him to invest widely in local talent. Each year he commissions items from young artists in starter studios which are then displayed in a cabinet in the Millennium Galleries, donated by the Assay Office. Last year, Ashley generously agreed to donate three of the four commissioned pieces to the Metalwork Collection.

The Trust's budget for acquisitions to its collections is extremely modest. Ashley's commitment and generosity, not just in the items he gives but also in the energy, passion and knowledge he shares, ensures that the metalwork collection remains fresh and reflects the continuing importance of Sheffield as a home for contemporary, cutting-edge metalwork of international renown.

## Our top ten tips for arts organisations

Raising money from individuals is not just about using the tax breaks available, but also about nurturing the relationship between individuals and the arts to ensure that those who do give, recognise the impact their money has achieved.

Here are some useful tips to help develop stronger individual relationships:

### 1 **Know yourself**

If you are going to ask anyone to support you, you need to know your own organisation first. What do you do, how do you do it and who do you reach? Knowing yourself better will help others to know you better.

### 2 **Fundraising is a group activity**

Everyone in your organisation is a fundraiser, from the Chairman of the board to today's volunteer. The person on your admissions or information desk has a vital role to play, as they give potential donors their first impressions of your organisation.

### 3 **Don't just pursue the big gifts**

Before trying to secure large gifts, develop a strong, sustainable and dependable income stream from small to mid-scale gifts. Recent research by Arts & Business suggests that nearly 90% of arts donors are in the low to mid-level range.

### 4 **Devote the resources needed**

Fundraising doesn't take much money, but it will take a lot of time. Make sure that you are able to devote the time and energy it needs. What will you stop doing, so that you can start to do the fundraising?

### 5 **Look after your donors**

People will give you money because they are passionate about what you do. Make sure that you strengthen that relationship with your donor all the time. NEVER take the money and run!

## 6 Go one step at a time

Don't try to do everything at once. Getting the details right is an important element of fundraising and these can rarely be rushed. Following a strategic plan of action is more likely to result in success.

## 7 Look to the long-term

Organisations often start fundraising to address immediate financial needs. Fundraising works best when it is focused on the development of long-term relationships.

## 8 Know what you can do for others, not what they can do for you

Fundraising is all about the other person – whether that be a donor, a company or a foundation. To successfully develop a relationship with them, you need to recognise how your organisation is able to address their needs and objectives through your work and focus less on how they can help you.

## 9 Don't change for the sake of money

It can be tempting sometimes to think about developing new strands of work because someone has suggested that they might fund them. Ultimately people will want to support you because they share your passion for the work you already do. Be careful of 'scope creep'!

## 10 Know the tax breaks that are available and encourage people to use them

The A&B online tax guide is a good starting point, but please visit the HM Revenue and Customs website at [www.hmrc.gov.uk](http://www.hmrc.gov.uk) for further information and always seek professional advice on any matters relating to tax.

## Arts & Business

Nutmeg House  
60 Gainsford Street  
Butler's Wharf  
London SE1 2NY

020 7378 8143  
[www.artsandbusiness.org.uk](http://www.artsandbusiness.org.uk)

Charity Number: 274040  
Company Limited by Guarantee  
Number England: 1317772

## President

HRH The Prince of Wales KG KT GCB OM

## Chair

The Rt Hon The Baroness Kennedy QC

## Chief Executive

Colin Tweedy LVO OBE

## Trustees

Mark Austen  
Dr Wendy Austin  
Anne Gunther  
George Osborne MP  
Stevie Spring  
Prof Elan Closs Stephens CBE  
Peter Wallis  
Steve Williams

## Company Secretary

Martin Williams



Please let us know what else you think we can do to encourage private giving to the arts.  
Email us at [giving@artsandbusiness.org.uk](mailto:giving@artsandbusiness.org.uk).

---