Unlocking Giving

How does the UK compare?
1. Introduction

This report is published alongside the CAF World Giving Index 2023¹, one of the largest and longest-running studies on global giving ever produced. This year’s index presents a mixed picture for the UK. While it comes third for donating money, the UK has slipped down the index over the last ten years.

The UK is a generous country. But there is a risk that the UK could soon be left behind by other comparable countries from a policy perspective. Australia and Ireland, both of which performed similarly on the index over the last decade, are now well progressed in the creation of new philanthropy strategies. As well as setting a framework for more giving in future, this sends a clear message internationally.

It is then a timely moment for the UK to look outward and consider what it might learn from others on philanthropy. That is a major task, which this report aims to simplify by analysing available data and policy on giving from five comparator countries: Australia, Ireland, Canada, New Zealand and the United States.

These countries have been selected since they are broadly similar to the UK in terms of economic development, culture and governance. As well as including countries currently developing philanthropy strategies, the group also includes those that give more as a percentage of GDP than the UK, as shown in the table. Each country places in the top 20 of the 2023 World Giving Index.

Starting with the UK, this report reviews each in turn, looking at the tax treatment of donations (for the donor rather than charities or foundations), before making recommendations about what the UK could adopt.

<table>
<thead>
<tr>
<th>Country</th>
<th>Giving as a % of Gross Domestic Product (best available estimate)</th>
<th>World Giving index score 2023</th>
<th>World Giving index score 2023 - donated money metric</th>
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¹ www.cafonline.org/about-us/research/caf-world-giving-index-2023
⁴ Year: 2020, Giving Ireland Report 2022 (https://givingireland.ie), GNI. If GDP is used this figure falls to 0.46%.
⁶ Year: 2022, Source: Giving USA 2023
2. United Kingdom

2.1 GIVING LANDSCAPE

2.1.1 Giving trends

CAF’s UK Giving report is the largest study of giving behaviour in the UK and has been published annually since 2004. CAF interviews a representative sample of the public each month to assist charities, government, and wider society to better understand the UK’s evolving giving landscape.

The latest data is available for 2022.\(^8\) This shows that £12.7 billion was given to charity by people in the UK over the course of 2022, up £2 billion on the previous year. This included spikes in giving in March and April 2022 in response to the invasion of Ukraine. Across 2022, the mean amount donated per month was £60 (£720 per year), while the typical median donation was £20. The median amount given to charity has remained at £20 per year for some years, indicating donations are not adjusted in line with inflation.

In addition, the data shows that 69% of people said that they would need to make spending cuts in 2022, attributable to a squeeze on disposable income, due to higher inflation. As a result, the key trend observed is that fewer people are giving slightly more.

Data from the Charity Commission shows that total giving from donations and legacies in the UK was £26.5 billion as at September 2023.\(^9\)

Of the total amount donated to charity in 2022 in the UK, the top causes were:

- Religious organisations - 14%
- Overseas aid of disaster relief - 14%
- Animal welfare - 10%
- Children and young people - 8%
- Homeless people, housing, and refuge shelters - 8%
- Medical research - 7%
- Hospitals and hospices - 7%.

Giving drivers

In 2022, CAF asked 7,708 people why they donate to charity. The top reasons were:

- Because I care about the cause - 68%
- Because I want to help people less fortunate than me - 50%
- Because I trust the organisation(s) I donate to - 40%
- Because I believe we all need to help solve social problems - 36%
- Because I realise I can make a difference - 31%
- Because it makes me feel good - 20%
- Because I was inspired by some news coverage (e.g., of a natural disaster, or people in need) - 16%
- Because it helps me become a better person - 12%
- Because people ask me to - 11%
- Because I want to set an example for others (my children, friends, colleagues, employees, etc.) - 10%
- Because my religion encourages giving - 8%
- Because everyone in my family donates - 2%
- Because society expects this behaviour from me - 2%
- Because of the Covid-19 pandemic - 2%
- Because of a tax incentive - 1%.

CAF also asked people what would make them more likely to donate their money or time to charity over the next 12 months. When asked, the top reasons which incentivised their giving were knowing for certain how their money would be spent (64%), feeling more secure in their financial situation (62%) and being able to find a charity working towards a cause that they really care about (62%).

The factors that were least commonly reported to incentivise their giving were being asked to donate (27%) and more convenient donation mechanisms (30%). Only 38% of people said that greater tax breaks on their donation, or other government incentives, would make them more likely to donate to charity. However, even if tax incentives do not motivate everyone to donate to charity, they do increase the value of donations to that charity. This is particularly true in systems like the UK, where some or all the tax relief is provided to the charity itself.

\(^8\) www.cafonline.org/docs/default-source/about-us-research/uk_giving_2023.pdf

\(^9\) www.register-of-charities.charitycommission.gov.uk/sector-data/sector-overview
2.2 TAX FRAMEWORK

2.2.1 Tax treatment of donations
The UK arguably has one of the most generous tax incentives for giving through the Gift Aid system. Gift Aid is a tax relief for charities. When a UK charity receives a donation from a UK taxpayer the charity can claim 25% paid on that donation, treating the donation as if it had been made prior to the charging of basic rate income tax. Gift Aid is capped at 100% of tax liability.

Higher rate taxpayers are entitled to claim the difference between the top rate of tax that they pay and the basic rate on the total value of the donation. They do this either through a self-assessment tax return or by asking HMRC to change their tax code.

For corporate donors, companies can make a charitable donation for Gift Aid by deducting the full amount they give to charity as a charge for corporation tax purposes.

The system is complemented by payroll giving which allows people to give after national insurance, but before income tax.

Gifts of Shares Land and Property can also be made. Individuals can donate such assets and receive relief from capital gains tax as well as a deduction against their income tax bill.

There is no minimum gift in the UK although the Gift Aid Small Donations Scheme allows charities to claim for small cash donations of less than £20 without needing to collect declarations and personal information from donors. However, there are limits as to how much each charity can claim.

2.2.2 Donations of goods
The arrangements with charity shops in the UK are somewhat complicated. Charity shops accept responsibility for selling goods on behalf of the donor, and then cash proceeds are said to be donated by the donor to the charity.

Companies can claim deductions on equipment or trading stock, land property or shares in another company, the secondment of employees and sponsorship payments.

When a company donates trading stock to a charity, it does not have to include this in its sales income for the value of the gift. This means the company gets tax relief on the value of the stock it has given away.

When a company gives away used equipment it can claim full capital allowances. This means it pays less corporation tax. However, it may have to pay VAT. This is because the company is currently only able to apply zero VAT in the circumstance where the donation is made so that the charity can sell, hire out or export the items. However, items donated to charities for their own use are currently still subject to VAT.

2.2.3 Gifts in wills
No inheritance tax is due on legacy gifts to UK charities.

If a donor leaves a charity at least 10% of their estate, then their inheritance tax on the remaining estate is reduced from 40% to 36%.

Gift Aid cannot be claimed on legacy gifts to charities.

2.2.4 Donating overseas
There are several ways UK donors can donate overseas. One such mechanism is to donate through a donor advised fund (DAF). The DAF is itself a UK charity and is therefore entitled to claim Gift Aid. The DAF grants the donation to an organisation undertaking charitable activities overseas.

Another route is that many large charities have UK branches which can receive donations from UK taxpayers, and overseas branches which carry out charitable activities abroad.

2.3 PHILANTHROPY STRATEGY
The UK does not have a national framework covering philanthropy and charitable giving.
3. Australia

3.1 GIVING TRENDS
Philanthropy Australia’s report Giving Trends and Opportunities 2022 shows that:
• AU$13.1 billion was given to charity (£7.34 billion) in 2017/18
• AU$12.7 billion (£6.83 billion) was donated to charity in 2020
• AUS$2.4 billion (£1.34 billion) of structured giving took place in 2017/18, from 5,400 different entities, including corporate cash donations, donations from charitable trusts, bequests, and the usage of private ancillary funds and public ancillary funds
• AUS$3.8 billion dollars (£2.04 billion) of tax deductible giving from individuals took place in 2019/20
• 29% of individual taxpayers claim a tax-deduction in 2019/20 down from the 38% of Australians who claimed a tax deduction in 2010/11.

According to Australian tax office (ATO) data, donations by individuals fell over the decade 2009/10 - 2019/20. Furthermore, the number of people participating in workplace giving slumped.

The data from the ATO shows that 4.3 million Australians were employed at workplaces that had a workplace giving programme in the year 2020/21. However, only 4.7% of those employees (206,954) took part in workplace giving programmes; a fall from 211,316 in 2019/20. The overall generosity per employee was on average AUS$258 per employee - a figure unchanged for ten years, with 4.3% of employees participating in 2009/10. One improvement, however, is that the number of employees eligible for such programmes grew over that decade, from 2.3 million to the 4.3 million noted today.

Deductible donations have increased as a share of total income, but the percentage of taxpayers making donations has fallen. This echoes the trend seen in the UK of fewer people giving more.

In 2019 CAF carried out research into the top causes that people donated to in Australia. Charities supporting children was the most popular cause for donations, with 30% of donors having supported such causes. The subsequent most popular causes were helping the poor (25%) and medical research (21%).

CAF's research also found that in terms of individual giving, the median donation was AUS$80 (approximately £44) and the mean donation was AUS$378 (£206) per month.

Giving drivers
In 2019, CAF highlighted the most common reasons for individuals in Australia to have given money to charity. These included:
• I care about the cause 54%
• I want to help people less fortunate than me 41%
• I realise I can make a difference 33%. Philanthropy Australia echoed these findings, reporting in 2022 that the top reasons for giving by individuals were:
• It’s a good cause/charity 39%
• I respect the work it does 21%
• Sympathy for those it helps 14%
• I/someone I know has/had a condition it tries to cure 13%
• I/someone I know has directly benefited from its services 11%.

Motivations in the mass market subtly differ from the motivations that philanthropists have for giving. Philanthropy Australia found that 93% of philanthropists gave because they believed that their giving could make a difference, whilst 78% had a desire to give back to the community, and the same percentage got a sense of personal satisfaction from giving.
Similarly, in 2016, Workplace Giving Australia conducted research exploring why young Australians may give through workplace giving. This research suggested that young employees are most likely to donate to causes they are passionate about and have a personal connection with. The research recognised the value of incentives for giving, connecting young people’s giving with peer influence and colleague participation.

3.2 TAX FRAMEWORK

Australia offers a 100% tax deduction for donations to approved charities. It also offers a 100% tax deduction for companies who donate to approved charities. The deduction is available at the top rate of tax that a person pays.

Recipient charities must have Deductible Gift Recipient Status (DGR1 or DGR2) to benefit from the tax deductions, the status of which is determined by the Australian tax office. However, the majority of the approximate 600,000 not-for-profit organisations in Australia, do not have DGR status and therefore are not eligible for tax deductions. Overall, only one in three Australian registered charities are eligible for tax deductible donations.16

For charitable tax deductions in Australia there is an AUS$2 minimum gift value.

3.2.1 Donations to overseas charities

The Overseas Aid Gift Deduction scheme allows Australian charities with official accreditation to send money overseas to issue tax deductible receipts for donations. Funds are only able to be sent for use on projects in developing countries, a list of which is approved by the Australian Government.

There are also special schemes to encourage the donation of cultural and heritage items. The amount that can be claimed as a deduction is the average of two or more written valuations made by approved valuers. There are specific lists of institutions to which cultural and heritage items can be donated. The rules differ if the artefacts were acquired recently or acquired for the purpose of donating them. Property donated under the Cultural Gifts Programme is also exempt from capital gains tax.

A business owner can donate trading stock - this is anything a business produces, manufactures, or acquires, including livestock. The tax deduction is the market value of the trading stock.

If the property is valued at more than AUS$5,000 then a tax deduction may be available. If the property is valued by the ATO as more than AUS$5,000 and was either purchased more than a year ago, or was won or inherited, then a tax deduction can be claimed for the amount it is valued at on the Valuation Certificate.

Property worth less than AUS$5,000 is not eligible, although if it was purchased within 12 months before making the donation, it may be tax deductible, no matter how much it is worth. This is because recently purchased property has special rules. To be tax deductible under these rules, the property must be donated within 12 months of purchasing it and the tax deduction is claimed at the lower of the value paid for the property and the property’s market value. Property that has not been purchased - for example, prizes won in raffles, gifts, or inheritances - are not tax deductible under recently purchased property rules.

3.2.2 Donating property

There are special rules applying to gifts of property. The term “property” includes land, as well as objects, rights and interests that can be owned.

A tax deduction for the market value of shares can be claimed if a charity donates to a deductible gift recipient with listed shares valued at AUS$5,000 or less, and the shares were acquired at least 12 months before donated. In the case of shares, they do not have to have been purchased, but can have been inherited, won, or received as a gift or bonus.

3.2.3 Gifts upon death

Testamentary gifts (made under a will) are not tax deductible.

Charities Aid Foundation | Unlocking Giving 2023
3.3 PHILANTHROPY STRATEGY

3.3.1 Background
Australia’s philanthropy strategy is a response to a backdrop of falling giving participation levels. Rates of volunteering and engagement with the community have also declined. Australia’s Labor party made a manifesto pledge to double philanthropic giving by 2030 if it won the 2022 federal election. After taking power, in February 2023, Charities Minister Dr. Andrew Leigh announced that a major review of philanthropy in Australia would be conducted. The review is being undertaken by the Productivity Commission. The Commission will consult with governments at all levels including state and territory governments. It will also work with the philanthropic, not-for-profit, and business sectors, as well as the public.

The call for evidence opened in March 2023 and closed on 5 May 2023. At the time of writing, a draft report is expected to be published in November 2023.

3.3.2 The strategy
“The purpose of the inquiry is to understand trends in philanthropic giving in Australia, the underlying drivers of these trends, and to identify opportunities and obstacles to increasing such giving. The inquiry should make recommendations to Government to address barriers to giving and harness opportunities to grow it further.”

Review of Philanthropy, Call for submissions

In Australia, the inquiry seeks to:
• Deliver data and case studies exploring trends and motivations for giving in Australia. This will cover channels such as workplace giving, bequests, private foundations, in-kind donations, and volunteering.
• Identify opportunities for and obstacles to increasing philanthropic giving in Australia including:
  ◦ Regulatory issues
  ◦ The deductible gift recipient framework
  ◦ The tax concessions available to not-for-profits
  ◦ The ability of donors to assess charity effectiveness
  ◦ The role of foundations in encouraging charitable giving and supporting the charitable sector
  ◦ Strategies that have worked in other countries
• Recommend ways to respond to these opportunities and obstacles. It will consider:
  ◦ Data and information gaps around philanthropy
  ◦ Public strategies to increase the status of giving
  ◦ Evidence of the impacts, costs, and benefits of reform opportunities
  ◦ Other measures to support philanthropy in Australia

Australia’s approach is particularly notable for its focus on different kinds of giving, particularly workplace giving, which is an important force in Australia. The clear target to double giving by 2030, is also a powerful ambition.

3.4 COMPARING AUSTRALIA TO THE UK
As noted above, in 2019 the median donation in Australia was AUS$80 (£44) and the mean donation was AUS$378 (£206) per month. In contrast, in the UK in 2022, the mean amount donated per month was £60, while the typical median donation was £20. These figures demonstrate that the Australian public is donating substantially more in terms of individual giving than the UK public. This could be a product of differing levels of disposable income between the two countries, but also reflects norms, as people decide what a typical amount to donate to charity would be.

The biggest lesson that the UK can learn from Australia is the value of ambitious targets and taking a whole-of-government approach to exploring the question of giving. This is reflected in Australia’s ambitious strategy to drive philanthropic giving, as well as in its clarity of focus on acquiring data to help understand giving dynamics and trends.

Policymakers will also find it valuable to compare the experience of payroll giving in Australia with the UK. In the UK, 516,000 employees are estimated to participate in payroll giving schemes according to HMRC data, whilst 206,954 participate in Australia. Given that Australia’s population is 27 million and the UK’s is 66.4 million, participation rates are proportionately similar across the two countries. The UK should therefore look with interest at strategies undertaken to improve payroll giving participation rates in Australia, as these are likely to be relevant to the UK.

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4. Ireland

4.1 GIVING LANDSCAPE
CAF conducted research in Ireland in September 2019. That research found that nine in ten people in Ireland had participated in at least one charitable or social action in the last year. 62% of people had donated money to charity within the previous 12-month period.

The median amount of money donated within the last four weeks was €30 (£26) while the mean amount given through direct donations was €101 (£89). When including sponsorships as well as donations, this mean figure increases to €112 (£98). The report noted that of those who donated money to charity, only 14% had used the Charitable Donation (S848(A)) scheme which allowed them to claim back tax against the value of their donation.

Whilst Ireland has a long tradition of giving and generosity, it does not have a well-established foundation sector. Most philanthropic giving in the country comes from foundations established in the last 25 years, reflecting relatively recent economic growth. Ireland has fewer active grantmaking organisations than comparable countries, with just 159 entities dedicated to philanthropy, compared to Norway which has 7,612 for a similar sized population. This makes philanthropy a key area of opportunity and consequently a focus of Ireland’s philanthropy strategy.

4.2 TAX FRAMEWORK

4.2.1 Tax exemptions on donations
When an individual in Ireland donates to a charity, the relief is given to the charity or approved body. The charity can apply for a refund at the value of 31% of the gift. This rate of 31% sits between the 20% and 40% tax rates applicable in Ireland, following efforts to simplify the tax system in 2013. The net result of this change was a gain to charities on receipt of a donation from a standard rate taxpayer, with a slight fall to the value of a higher rate taxpayer’s donation. However, Philanthropy Ireland found that the result of this change was a fall in the amount paid by the Exchequer to charities of on average €10.8m per year.

To qualify for relief, a minimum donation of €250 must be made by any one eligible charity or approved body annually. With donations for individuals, there is an annual limit of €1 million. Where there is an association between the charity and the donor (for example, this would apply if the donor worked for the charity) the tax relief is restricted to 10% of the total income of the individual for the relevant year.

Corporate donations are fully tax deductible, subject to a minimum donation amount. Tax is levied at 12.5% for trading income, and 25% for non-trading income.

Beyond the donation of cash, donors can also donate designated securities (stocks and debentures quoted on a recognised stock exchange). The provision of other goods or services does not qualify for relief.

Another opportunity exists to expand legacies and bequests, with an estimated €100 million of legacy income to non-profits in Ireland in 2021. CAF research also highlighted the top causes that donors had given to finding that the top causes were:

- Homeless people, housing, and refuge shelters in Ireland - 35%
- Children or young people - 30%
- Hospitals and hospices - 28%
- Disabled people - 26%
- Animal welfare - 24%.
4.3 PHILANTHROPY STRATEGY

On 23 May 2023, Minister of State Joe O’Brien announced a public consultation on Ireland’s First National Philanthropy Policy.27 It opens by quoting Philanthropy Ireland’s 2020 Philanthropy Manifesto:

“Philanthropy and Philanthropic organisations are a critical part of our democratic and pluralistic society”.28

The policy is intended to deepen knowledge and understanding of philanthropy to create an enabling environment and accelerate engagement with philanthropy in Ireland for social good.

Key strengths of the Irish approach include:

• It is rooted in evidence
• It has a clear ambition and ministerial support
• It has been developed through deep and wide stakeholder engagement.*
• It is connected to the UN’s Sustainable Development Goals. **
• It recognises the role and unique value of philanthropic capital.

Ireland’s approach builds on a report The Landscape of Philanthropic Giving in Ireland, published in November 2021. The report was a collaboration with Philanthropy Ireland, government departments, philanthropy organisations, donors and wealth advisors, academics, and charities. It also included data from civil society organisations and the Organisation for Economic Co-operation and Development (OECD), the charities regulator, and the Benefacts database.

Ireland’s approach acknowledges that philanthropy does not and should not replace public service provision but instead helps strengthen civil society and civic engagement. It can address emerging needs, and help build sustainable long-term impact, in collaboration and partnership with other stakeholders, including governments. This is particularly the case because philanthropic capital often has greater risk appetite than governments. It may also be able to respond more quickly, and in innovative ways.

4.4 COMPARING IRELAND TO THE UK

The biggest lesson that the UK could learn from Ireland’s philanthropy strategy is the value of collaboration across governments, businesses, and philanthropists. It is encouraging to see Ireland recognising the importance of the unique role and value of philanthropic capital - which is ready to take different kinds of risks than governments may have appetite for when spending public money. In the UK, the CAF Resilience Fund grants exemplified this, bringing together charities, government and businesses to achieve even more. Department for Digital, Culture, Media and Sport funding, as part of their Community Match Challenge, was matched by funding from the insurance and long-term savings industry. CAF’s experts in grantmaking directed this funding to charities supporting communities hardest hit by the pandemic and investing in the longer-term future of charities supporting those communities. The value and collective impact this type of collaboration can achieve should be recognised by the UK Government in a philanthropy strategy.

One significant difference between Ireland and the UK is the treatment of tax relief on donations. Ireland is the only other country in the sample, besides the UK, to apply tax relief to the charity itself, and the only one not to provide a direct incentive to donors. There are advantages for charities both in attracting tax relief and providing incentives to donors. One advantage to the Irish approach is that having a fixed rate of relief prevents the rate of Gift Aid that charities receive from being subject to changes in income tax rates more broadly. In contrast, one strength of the UK scheme is the advantage that it offers to higher rate taxpayers, who are provided with additional incentives to make donations to charity. The evidence, from before and after this change was made in Ireland, indicates that this treatment of charitable donations has not been effective at mobilising philanthropic giving.

The Irish scheme is also limited because it only applies to donations of greater than €250, as indicated by the small proportion of donors who used the scheme in CAF’s survey.

The table below compares the tax treatment of a donation of 250 pounds sterling or euros, demonstrating that the Irish system is more generous to charities for larger donations, irrespective of the value of the contribution made by the tax authority. Despite this, the scheme has not mobilised giving effectively.

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* The Advisory Group convened to support the development of the policy includes the Government, the philanthropy sector, agencies, corporates, and academics.
** The delivery of the objectives within the Philanthropy Policy should support the philanthropy sector and help it contribute to the delivery of the sustainable development goals.*
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<th>Ireland</th>
<th>UK</th>
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<td><strong>Total tax authority contribution</strong></td>
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23 According to Benefacts, “Philanthropic and Charitable giving in Ireland 2021”
24 "Legacy Insights – Ireland Overview 2015 – 2021" Campaign Solutions 2023
25 [www.taxback.com/blog/charitable-donations-ireland-2020 diferença between%20PAYE,20%25%20or%2041%25%20from%202015%20%20%20above](http://www.taxback.com/blog/charitable-donations-ireland-2020 diferença between%20PAYE,20%25%20or%2041%25%20from%202015%20%20%20above)
28 [c5ae0589-8a85-4836-b90c-338f0d3583cc.pdf](http://www.gov.ie)
5. New Zealand

5.1 GIVING LANDSCAPE
jBWere, a wealth advisory fund, published its New Zealand Support Report in 2020. The report found that:

- Total philanthropy in 2018 was NZ$3.8 billion (£1.97 billion). This figure incorporates an increase from most donor segments.
- The mass market currently makes up just over half of total donations. However, there is a falling proportion of donors among the population, while those who give continue to increase the value of their donations.
- Volunteering has been falling. However, the financial value is 1.6 times the value of all donations grants and bequests to the sector.
- When a tax rebate is claimed, the annual amount claimed for donations per donor has grown faster than inflation. However, the proportion of taxpayers claiming a rebate has been falling, from around 12% in 2002 to 9% in 2019. This echoes the trend seen elsewhere.

The report also found that the top causes which relied on philanthropy and grants were:

- Religious activities
- Education, training, and research
- Health
- Social services.

5.2 TAX FRAMEWORK
In New Zealand donors can claim 33.33 cents for every dollar donated to approved charities and organisations, up to the amount of taxable income the donor received during the tax year. The tax credit can be claimed on donations of NZ$5 or more.

Tax credit cannot be claimed if they were given through a will.

A payroll giving scheme also exists in New Zealand.

Companies are generally permitted to a tax deduction for charitable contributions made to approved organisations. The deduction is limited to the company's net income for that income year.

5.3 PHILANTHROPY STRATEGY
jBWere has argued for a National Generosity Campaign to stem the slide in volunteering and broad mass market participation. However, New Zealand does not have a philanthropy strategy.

Other charitable causes relied more heavily on state funding or other sources of incomes.

Business and workplace giving
The value of business giving through donations and corporate social responsibility programmes in New Zealand reached NZ$571 million in 2019, whilst donations through workplace giving rose to NZ$8.4 million. However, data is not provided on the number of employees using workplace giving since 2017, meaning it is difficult to compare with countries like Australia and the UK.
5.4 COMPARING NEW ZEALAND TO THE UK

As a small country, New Zealand has seen the same trend as other countries in this report of fewer people giving more. Giving as a percentage of GDP in New Zealand (1.24%) is nonetheless higher than all other countries in this report, except the USA. Indeed, we estimate that if the UK gave at the same rate as New Zealand at least £4 billion extra would be delivered for charities.

New Zealand has a growing workplace giving programme. Whilst data is not available on the number of participants - so a direct comparison cannot be made with Australia and the UK, which have both seen falling participation rates, though greater donation levels - workplace giving forms an important part of the giving landscape in New Zealand. This is something that the UK should continue to explore as it considers how to boost workplace and corporate giving.

As a result of the tax credit system, a donor in New Zealand making the same donation receives a higher contribution in reclaimed taxation, but the charity receives less money. However, as noted above, few donors claim this rebate, suggesting that tax relief is not the primary driving factor behind donation behaviour. This table offers a comparison of the tax treatment of a NZ$250 donation and a UK £250 donation.

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<td>Net cost to Donor</td>
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<td>£250.00</td>
<td>£187.50</td>
<td>£166.67</td>
</tr>
<tr>
<td>Net donation received by charity</td>
<td>$250.00</td>
<td>€312.50</td>
<td>€312.50</td>
<td>€312.50</td>
</tr>
<tr>
<td>Total tax authority contribution to charity</td>
<td>-</td>
<td>£62.50</td>
<td>£62.50</td>
<td>£62.50</td>
</tr>
<tr>
<td>Total tax authority contribution</td>
<td>$82.50</td>
<td>£62.50</td>
<td>£125.00</td>
<td>£145.83</td>
</tr>
</tbody>
</table>

About half of the total value of giving in New Zealand comes from individual giving, comparable to the UK.
6. United States

6.1 GIVING LANDSCAPE

6.1.1 Giving trends

Giving USA’s Report 2023 shows a decline in charitable giving in the US. The data show:

- US$499.33 billion (£405.4 billion) was donated to nonprofits in 2022, down 10.5% on the previous year when adjusted for inflation, a 3.4% decline compared to 2021 in absolute terms.
- The sharpest decline in giving was by individuals, dropping 6.4% since 2021 to US$319.04 billion (£259 billion). This has been attributed to higher inflation and a volatile stock market.
- In contrast, corporate giving rose by 3.4, to US$29.48 billion (£23.93 billion).
- Giving by foundations increased 2.5% since 2021 to US$105.21 billion (£85.41 billion).
- Giving by bequest increased 2.3% to US$45.60 billion (£37.02 billion).
- The cause area that saw the highest increase was international aid, likely driven - at least in part - by relief towards Ukraine.

The top causes (by percentage of total contributions) were:

- ◊ Religion - 27%
- ◊ Human services - 14%
- ◊ Education - 13%
- ◊ Foundations - 11%
- ◊ Health - 10%.

- 64% of giving was by individuals, 21% was by foundations, 9% was by bequests, and 6% was from corporations.

6.1.2 Giving drivers

Significant research has been done into what drives giving in the US, perhaps more so than in any of the other countries in our sample. Research conducted by YouGov found that the most common reasons for giving to charity were:

- I believe in the cause - 48%
- I believe you should give to charity - 31%
- Giving to charity is a part of my religious beliefs - 15%
- I don't feel the state does enough to help those in need - 13%
- I always give to charity - 11%
- I have had personal experience benefitting from the charity - 11%
- I want to support a friend through sponsorship - 8%.

At the same time, 96% of Americans who have donated to charity say it is very important to know their funds will be used in a way to do the most possible good.

6.2 TAX FRAMEWORK

6.2.1 Tax treatment of donations

Tax incentives are available to individuals who provide an itemised tax return and give to eligible organisations. These organisations are those registered as 501(c)3 organisations - a subset of the organisations that are exempt from taxation, which fall under categories including charitable, religious, and educational.

Within this category there are two groups of organisations: private foundations and public charities. Donors can typically deduct 100% of their tax liability against gifts to private foundations, although they are subject to a cap at 30% of their Adjusted Gross Income (AGI). When donating to a public charity, 100% of the tax liability can be claimed but the cap is increased to 60% of AGI.
There is no minimum donation: while organisations receiving donations are not required to provide receipts for donations of less than US$75, donors can still claim using bank statements as records.

The deduction also applies to corporates. Companies can donate up to 10% of their taxable income but can carry this forward for up to five years.

6.2.2 Giving non-cash assets
One key strength of the US’s approach to provision of tax relief on charitable giving is being able to donate many kinds of assets, including securities, artwork, collectibles, property, and a number of other financial instruments and funds.

Pension funds. In the US, a donation can be made by the Trustee of an Individual Retirement Arrangement (IRA) to certain organisations. The person must be aged at least 70 ½ years, and the qualified charitable distribution may not exceed US$100,000. Under some circumstances these are non-taxable or eligible for a charitable contribution deduction to be claimed.

Life insurance policies can also be donated. There are several routes to do this, with the donor either transferring ownership of the policy, or naming the charity as a beneficiary of the property.

Intellectual property can be donated. Donors can deduct the lower of the basis of the property or the free market value of the property. They can also deduct the income from the property on a sliding scale over the lifetime of the patent.

Timeshares can also be donated with the donor able to receive a tax deduction for the fair market value of the time-share.

The US tax system includes specific rules for gifts in kind such as clothes and household goods which must be in good condition. There are also specific rules for antiques, artworks, food, and items worth more than US$500, and for donated vehicles.

Shares, securities, land, and buildings are deductible up to 30% of AGI but excess can be carried over into the next year for deduction from tax liability.

6.2.3 Donations abroad
The US has income tax treaties with Canada, Mexico and Israel. These bilateral tax treaties mean that donors may claim incentives against their foreign sources of incomes in these jurisdictions, subject to caps in place. In addition, when there is a donation to a US based organisation that then transfers money to a foreign charity but retains control of the fund, incentives may be available.

Similarly, donations can be deductible when there is an administrative office of a US based organisation.

The Internal Revenue Service (IRS) provides US grantmakers with two different options for making overseas donations: conducting an equivalency determination or exercising expenditure responsibility. This regime is not available for direct donations by individuals.

Expenditure responsibility
A foundation may make a grant to a foreign non-governmental organisation (NGO), whether it is deemed the equivalent of a public charity or not, so long as the grantee intends to use the gift to carry out the charitable purpose of the grantmaking foundation and the grantmaker follows a set of guidelines known as expenditure responsibility (ER). ER usually involves a pre-grant enquiry, an application form, a breakdown of use of funds, a signed agreement detailing how the funds will be used and restricted, and a post-grant report.

Equivalency determination
Equivalency determination allows a US foundation to assess that a foreign entity is the equivalent of a US public charity. This makes cross-border giving significantly easier. Trusted third parties, such as CAF, can offer an equivalency certificate allowing donors to treat the recipient entity as the equivalent of a US charity.
6.3 PHILANTHROPY STRATEGY
The US does not have a philanthropy strategy.

6.4 COMPARING THE USA TO THE UK
Of all the countries in this report, people in the US give the largest amount to charity, as a percentage of GDP. In the US, individual giving is 1.37% of GDP, compared to 0.52% in the UK. Part of this reflects the size and wealth of the US, but there is much that UK and other policymakers can learn from the US experience.

A key strength of the US's approach is the way in which donors can gift a wide range of assets to charities, including pension assets and other alternative asset classes.

The UK could consider improving the ways in which alternative assets can be donated. It should particularly look at how pensions assets could be donated to charity. In the UK there is no mechanism to allow donors to donate directly from a pension product, as this would be classed as an unauthorised payment. The only current route for donors to do this is to make donations through payroll giving from a pension that is providing income. There is also more that could be done to support people who want to allocate their pension assets to charities on death. Single donors have the option to make a tax-free charity lump sum death benefit, but this is only available to those that have no dependents.

Additionally, gifts of artwork, collectibles and other tangible property could be within scope, providing a robust appraisal qualification is put in place, as it is within the US.

The UK could also consider developing philanthropic vehicles for giving such as a charitable remainder trust. These vehicles enable assets to be allocated to charity over time and offer an incentive for donors to set funds aside for charity.

The UK could also learn from the experiences of the US when developing a scheme for equivalency determination, maximising the amount of charitable giving that can support critical causes abroad.

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33 www.givingusa.org/
7. Canada

7.1 GIVING LANDSCAPE
In 2023, the organisation Canada Helps published The Giving Report, exploring the state of the charitable landscape in Canada. The report found that 18.4% of Canadians filed for a tax deduction for charitable giving, down five percentage points in ten years. The report found that 20% of Canadians planned to reduce their giving in 2022, whilst only 13% planned to increase their giving. This fall included households with higher incomes. Overall, 28% of households claimed for charitable donations, down from 36% in 2010. This echoes a fall in other countries in claims for tax relief, including in Australia.

The Canada revenue agency provides data with a two-year lag on giving. However, Canada Helps offers a proxy measure enabling a prediction of a growth rate in giving of 1.2% in 2021/2022, despite the context of strong GDP growth in this period.

In 2020, the most recent year for which data are available, C$10.6 billion dollars in individual donations were claimed for. Data from Statistics Canada\(^{36}\) shows that the median donation made by tax filers was C$340 per year, while the total number of donors decreased by 0.6%. There was a large drop in the number of tax filers donating smaller amounts, with a 6.5% fall in the number of tax filers donating less than C$100. However, the number of filers who donated C$1000 or more increased by 3.4%. And whilst the number of Canadians donating C$500,000 or more decreased by 3.4%, the total donation amount for this group nonetheless increased by 0.3%.

However, estimates of the amount that Canadians give to charity derived from their annual tax filings are likely to be underestimates of total giving, as evidence from a 2018 comparison demonstrates. This survey suggested that in 2018, only C$9.9 billion of the total C$11.9 billion that may have been given to charity was captured in donor tax returns.

CAF conducted research\(^{37}\) in 2019, which found that:
- 65% of Canadians reported having given money in the past 12 months
- The median amount donated or sponsored among those who had donated in the last four weeks was C$100 (£59), while the mean amount given was C$231 (£136)
- The most popular causes for donors in Canada were helping the poor (29%), children (29%) and religious organisations (26%).

7.2 TAX FRAMEWORK
In Canada, donors are offered federal tax credits on both federal and provincial taxes. At a federal level there is a 15% tax credit for the first C$200 donated, and a 29% credit for all donations above this threshold. In addition, the provinces offer their own tax incentives. This system reflects Canada’s federal structure.

As explored above Canada has a bilateral tax treaty with the US allowing donors who are tax resident in both countries to offset their charitable donations against their income.
**Equivalency determination**
Like the US, Canada offers an equivalency determination system. In June 2022, the Canada Revenue Agency proposed new rules for Canadian qualified donors. The new guidance will create a second option for Canadian charities to use their resources outside Canada through adopting a risk-based accountability approach.

The other route available to Canadian donors for giving abroad is that the charity must have significant control and discretion over the charitable activities that are undertaken. This route creates a higher burden of administration on the donor charity.

7.3 PHILANTHROPY STRATEGY
A special Senate Committee in 2019 recommended that Statistics Canada collaborate with the charitable and philanthropic sector to collect and share data. However, this has not yet happened to any significant extent.

7.4 COMPARING CANADA TO THE UK
Canada has seen the same trend as the UK of fewer people giving more which appears to be a widely replicated pattern across the countries explored in this report. Though an estimate of overall giving as a percentage of GDP has not been produced for this report, individual giving as a percentage of GDP is broadly comparable to the UK. Canada has a tax credit system which differs from the UK’s Gift Aid system.

One lesson the UK can learn from Canada is the critical need for data. Because of the timing of tax return information, data on giving in Canada is more than three years out of date when it arrives, making it hard to understand the giving landscape. In the UK, reporting happens more frequently. However, in response to these data challenges Canadian charities have developed useful proxies to help understand trends and trajectories in giving. The UK should consider, through the development of a strategy for philanthropy and charitable giving, ways to get real time data, and detailed cross-sectional data which identifies patterns and trends in charitable giving. This could involve finding suitable proxies to measure.

Secondly, the equivalency determination system allows Canadian foundations to donate to charities abroad and treat them as though they are Canada-based charities. The UK should explore strategies to make it simpler for donor advised funds and other charities to evaluate whether their funds will be used for legitimate charitable purposes.

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36 www.indd.adobe.com/view/15da3f98-65af-4325-86e2-628af5b2df97
37 www150.statcan.gc.ca/n1/daily-quotidien/220412/dq220412d-eng.htm
39 thephilanthropist.ca/2022/01/canadas-charitable-sector-what-to-expect-in-2022/#Changing%20The%20Rules%20Around%20Non-Qualified%20Donors
8. Recommendations

The reasons people give and the ways in which they give are similar across the countries explored in this report. However, the amount given differs. There are several lessons to be drawn upon that can help drive a renewed British culture of giving.

Recommendations:

- Learning from Australia and Ireland’s national strategies, the UK should develop a strategy for philanthropy and charitable giving, focusing on philanthropic, corporate, and mass-market giving. This strategy should consider ways to collect clear data on giving in the UK and understand the barriers to unlocking greater generosity. Considering the experiences of other countries, as this report does, should be a key part of such an approach.

- Learning from the wide variety of assets that can be donated to charity in the US, the UK should allow donors to donate alternative types of assets, such as life insurance policies, and to make a charitable contribution directly from a pension fund.

- Again, drawing on the example of the US, the UK should also consider philanthropic vehicles for giving such as a charitable remainder trust. This would improve incentives for donors to give to charity, whilst boosting charities who are struggling in tough economic times.

- Learning from New Zealand which has a growing payroll giving market, the UK should focus on ways to incentivise payroll giving, exploring strategies adopted in Australia, which faces similar challenges to the UK.

- Like the US and Canada, the UK should explore a solution for equivalency determination, making it easier for donors to give to good causes abroad.

- Drawing on the example of Ireland, the UK Government could recognise the value of philanthropic capital as part of a holistic approach to achieving its objectives. This would both recognise the unique risk appetite and innovation that philanthropic capital can support, and the value of partnering with corporate and charitable partners on key programmes to maximise impact.

Methodology note: All currency conversions carried out at the average conversion rate over the year when the data was collected, with small amounts rounded to the nearest whole £.