

The public bond with tax-effective giving in the UK

A survey of the awareness of and attitudes to tax-effective giving

CAF Research paper

April 2009

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Foreword

There is a long tradition of charitable activity and donation of money to good causes in the UK. Over time, our bond with philanthropy has evolved and flourished in various ways, including the causes we want to give to, the opportunities we have to give, and also our determination to make our donations as effective as possible.

In the last few decades, governments have developed tax incentives and reliefs as a way to stimulate charitable giving and strengthen the third sector. Now, with our financial health currently at risk, with funding being squeezed and demand for the essential services provided by the sector rising dramatically, maximising charitable giving has never been more important.

This report examines the key tax-efficient giving mechanisms, in order to understand the extent of the bond between the UK public and these forms of effective giving. This analysis also focuses on the perspective of higher-rate taxpayers, and provides insight into their attitudes towards the 20% personal tax relief available on charitable donations.

Despite concerted effort over many years by governments, fundraisers and intermediaries to capitalise on the supportive fiscal framework, this research reveals a chasm in public awareness and understanding of tax-effective giving. It demonstrates that there is significant scope for further improvements to the tax-effective giving environment. We hope that this evidence and the policy recommendations will help to inform Government and the sector, as we continue to work together to realise the potential of our generous society.

A handwritten signature in black ink that reads "John Low". The signature is written in a cursive, slightly slanted style.

Dr John Low CBE
Chief Executive
Charities Aid Foundation

1 Background, objective and methodology

Background

Tax-effective giving has become a cornerstone of the UK's philanthropic environment, and now plays an essential role in supporting the charitable sector. In 2007/08, Gift Aid alone was worth around £900m to charities in the UK. CAF calculates that there remains an additional £742m that remains unclaimed every year.

With increasing pressures on public and private funding and rising demand for essential services, maximising the potential of all available tax relief is even more important in the current economic climate. From this context came the idea of a research project that took stock of the basics of tax-effective giving.

- Is the concept of tax-effective giving well understood?
- How familiar is the public with the methods available to them?
- Who gives tax-effectively?
- What scope exists for engaging with those who do not give in this way?

In recent years, UK governments have enabled charitable donations from individuals and businesses to benefit from tax relief, and a range of tax-effective giving schemes have been created and developed. For individuals, these include Gift Aid, payroll giving, gifts of shares, gifts of land and property, and legacies, with additional tax relief for higher-rate taxpayers. The fundraising community and Government have worked hard to make the most of these benefits; both through directly promoting methods of giving, and more generally encouraging donors to give in planned and tax-effective ways. This 'portfolio' of methods has played a significant role in strengthening the charitable sector – helping to stimulate giving and bringing in additional income.

It has been argued that voluntary income, including individual charitable donations, provides the vital lifeblood for the sector, securing its survival, sustainability, independence and strength. The impending end to the transitional relief in April 2011 (ie the extension of the previous basic tax rate for the benefit of Gift Aid) creates even greater urgency for Government and the sector to work together to maximise the potential of effective giving.

Objective and methodology

The key objective of this research project was to provide evidence to policy-makers and other third sector organisations on the

awareness and usage of tax-efficient giving, with a view to informing government policy and the sector's work, and ultimately to assist in the maximising of tax-effective giving.

The research was undertaken using a telephone survey undertaken by the market research agency GfK NOP. A total of 1,307 members of the public were interviewed. This was achieved by surveying a representative sample of the UK population (1,056 interviews), with a booster sample (251) for the harder-to-reach higher-rate taxpayers. A basic set of questions were put to all respondents, and a series of extra questions were put to higher-rate tax payers about personal tax relief and charitable donations.

Five key tax-effective giving mechanisms are considered in the survey, and it is important to note that they do not operate identically. For example, a legacy donation is automatically tax-efficient in that the donation is made before inheritance tax is applied. However, the other mechanisms are tax-effective in relation to income tax. Payroll giving is automatically tax-effective, compared with Gift Aid, which is usually an opt-in device at the point of donation.

It is also important to note that the mechanisms operate in different ways. Gifts of shares, land and buildings or donations made through legacies for example, are tax-effective for donors through reductions to income tax, capital gains tax or inheritance tax. Payroll giving is a pre-tax donation and therefore reduces the donor's level of income tax. The basic rate income tax relief available through the Gift Aid scheme is, however, reclaimed by the charity with the donor's consent.

One challenge for any quantitative research in this area is that of language. The reader should bear in mind that terms such as 'legacies' and 'shares' are more self-explanatory and generic words than 'Gift Aid' or 'Payroll giving'. CAF has taken this into consideration both in terms of the writing of the questionnaire and the framing of conclusions.

For more information on the survey methodology and the questionnaire please see Appendix A1.

2 Summary and conclusions

2.1 Summary

The public bond

Only 68% of the UK public is aware of the basic concept of tax-efficient giving.

- Young people (24%) and those in the less affluent social classes (such as class DE, 49%) are far less likely to be aware of tax-effective giving.

Understanding of specific individual ways to give tax-effectively:

- Gift Aid is by far the most commonly known method of giving tax-effectively. 68% of the public is aware of Gift Aid when prompted. Only half of the public, however, is aware of legacies, and just 42% is aware of payroll giving.
- Moreover, Gift Aid is the only mechanism for giving tax-effectively that has any real 'top of mind' awareness. Only one in three members of the public mention Gift Aid spontaneously when asked about tax-effective giving, and only 7% recall payroll giving spontaneously, and just 1% legacies.
- The public is more aware of Gift Aid and payroll giving towards middle age, however awareness of legacies as a way to give tax-effectively permeates differently; it increases with age.
- Statistically speaking, more women are aware of Gift Aid than are men (72% vs. 65%), and more men are aware of payroll giving than are women (45% vs. 38%).
- Geographically speaking, no significant differences were found.

Usage patterns echo those of awareness.

- Usage is most clearly correlated with age and social class/income.
- 27% of 16-24 year olds had used Gift Aid before, in comparison with over 50% for all other age groups.
- 40% of those in the lowest income bracket have used Gift Aid before; 84% of those in the highest income bracket had done so
- Almost one in four of us have used Gift Aid in the past, but less than one in ten of us has used every other method.
- Twice as many people have used payroll giving as said that they are committed to giving effectively in their will.

Most people who have used a means of giving tax-effectively are positive about the experience, but most who have not tried one remain negative to it.

- The positive reaction is especially common among Gift Aid users, of whom 98% expressed satisfaction with the scheme after using it
- The proportion reflecting positively on their experience does fall, however, for payroll giving and legacies, for whom 84% and only 65% respectively reflected positively on the experience.
- Only 40% of those who are aware of Gift Aid but not used it expressed a positive view, and only a quarter or so of those aware of (but who again had not used) payroll giving or legacies said the same.

Higher-rate taxpayers

- 90% of higher-rate taxpayers are aware of the concept of tax-efficient giving, compared with just 68% of the main sample.
- Higher-rate taxpayers are almost twice as likely to be spontaneously aware of Gift Aid (53% vs. 29% respectively) and payroll giving (13% vs. 7% respectively) as is the public at large. They are also around twice as likely to have used these tools. Surprisingly perhaps, there is no difference in how common it is for higher-rate and basic rate tax payers to be preparing to use their will as a way to give tax-effectively (5% in both cases).
- Only half (50%) of higher-rate taxpayers were aware before the survey that they could reclaim the 20% tax relief for themselves; and only one-third of these respondents who were aware had done so in the past.
- Of the higher-rate taxpayers not aware before the survey that they could reclaim the 20% tax relief for themselves, 60% said that they planned to do so in the future.
- 31% of higher-rate taxpayers did feel that the personal tax relief encouraged them to make charitable donations, yet 34% felt that it hardly encourages them or does not encourage them at all to give. A further 35% did not feel influenced either way.
- 52% of higher-rate taxpayers initially said that they were likely to direct their 20% tax relief to charity, but when the procedure was fully explained to them, there was a marked drop in the number that still felt likely to do this, down to 24%.

2.2 Conclusions

CAF sees five key conclusions stemming from these findings:

- i) There is room to improve awareness, and reduce the confusion, around what tax-effective giving really is, especially among the young and those in lower income social classes.
- ii) There are solid reasons to be confident that non-users who do engage with tax-effective giving will remain committed to using these schemes:
 - That 98% of Gift Aid users are positive to the scheme, but less than half of non-users of the scheme are positive to it, suggests that for such a polarisation to exist, the transition to becoming a user of tax-effective giving methods bring personal benefits unexpected before trial.
- iii) Gift Aid is the talisman of the tax-effective giving sector and should be nurtured as such:
 - Both in terms of awareness and usage, it dominates the exposure with the public. It may be time to consider how this fact can be creatively and constructively exploited.
- iv) Payroll giving and legacies are fundamentally hindered by negligible top of mind awareness:
 - Some manner of concerted effort, based most likely on findings from donor-based research, seems prudent.
- v) Higher-rate taxpayers remain underutilised:
 - There are a range of findings that point to more potential with this demographic. Half of all higher-rate taxpayers are not aware of the personal relief on donations available to them, one fifth only have used it, and most are willing to re-direct the 20% to charity. It is also clear from the data explaining reactions from higher-rate taxpayers to the paperwork involved, that simplification and reform to the current system could reap considerable benefits for levels of charitable donations.

3 Policy recommendations

This research gives new insight into the public's awareness of and attitudes towards the tax-effective giving environment in the UK, and provides important messages for government, the charity sector and the broader public. The policy direction and practical steps taken now to maximise tax-effective giving will be critical to the success and sustainability of the sector through this period of economic turbulence.

CAF believes that the following action should be taken:

1. Preserving Government commitment

In recent years, the Government and main political parties have demonstrated their commitment to charitable giving, through a range of initiatives, strategies and policy papers¹. 'Real Help for Communities: Volunteers, Charities and Social Enterprises'², published in February 2009, reiterated the importance placed by Government upon individual and company giving.

It is important now that the Government sets out its strategic direction for the future of charitable giving and reviews the actions set out in 'A Generous Society' in 2005³.

Government must review 'A Generous Society', taking into account the changing economic climate and its impact on the sector.

2. Raising awareness of tax-effective giving

This research shows that 32% of the population has never heard of the concept of tax-effective giving. It is clear, therefore, that there is significant scope to increase levels of awareness concerning the tax relief and incentives available for charitable donations. In a recent CAF survey, charities were asked what Government could do to assist the sector during the recession. 35% of respondents identified promotion of tax-effective giving as the most important Government action⁴.

1 For example, the Conservative green paper 'A Stronger Society - Voluntary Action in the 21st Century', the recent Fabian paper, 'Mutual Action; Common Purpose' as well as Government simplification package for Gift Aid and financial incentives to encourage take up of payroll giving

2 'Real Help for Communities: Volunteers, Charities and Social, Cabinet Office, Feb 2009 Enterprises' http://www.cabinetoffice.gov.uk/third_sector/real_help_for_communities.aspx

3 Cabinet Office 'A generous Society - A charitable giving Strategy for England' http://www.cabinetoffice.gov.uk/third_sector/giving/generous_society.aspx

4 CAF, Survey of charities, February 2009 www.cafonline.org/Default.aspx?page=17289

Awareness of tax-effective giving varies significantly with age. Only 24% of 16-24 year olds claimed any recognition of the concept. Whilst Government and the charity sector have worked to engage young people in charitable giving and volunteering, additional targeted educational materials and activities should be developed to provide young people with information about tax-effective giving.

Government should work with the sector, building upon initiatives such as Giving Nation, to develop educational materials in order to increase understanding about tax-effective giving amongst young people.

Whilst Gift Aid is by far the most established and best known of these schemes, only 44% of the general public and 77% of higher-rate tax payers were entirely sure that they understood this was a way of giving tax-effectively. Addressing this gap in awareness amongst donors could reap significant benefits and help to maximise income to the sector at a time of considerable financial challenges. The Government and the sector should co-operate to build upon work done to establish and promote the Gift Aid 'brand'. This investment would also act to clearly demonstrate Government support for the third sector. Further research with donors should be carried out to ensure that future campaigns communicate the key messages that resonate with donors.

Government should work with the Sector to raise awareness of Gift Aid amongst the public through creative widespread campaigns.

Intermediaries such as independent financial advisors, wealth managers and accountants can play an important role in educating the public about tax-effective giving. Setting industry accreditation standards for this field and providing targeted training could encourage financial advisors to promote giving incentives. This could have a particularly marked effect on increasing understanding of issues such as share giving, gifts of land and buildings and legacies.

Government and the sector should work with the financial advice industry to maximise the potential of such intermediaries to raise the awareness and understanding of tax-effective giving.

3. Encouraging access to and use of tax-effective giving methods.

The research clearly demonstrates that individuals are more likely to feel favourable towards future use of tax-effective giving methods if they have had direct experience of using them in the past. 98% of those who have used Gift Aid before are satisfied with it, but only 40% of those who are aware of Gift Aid but not used it feel positive towards it. This would suggest that improving the initial access or 'entry points' for such forms of donation would have a significant impact on longer-term use of tax-effective methods of giving.

Planned and regular forms of giving are more easily made tax-effective than spontaneous or cash donations. Regular, planned donations have a number of additional benefits as they enable charities to predict income and manage funds more strategically. They also enable positive relationships between charities and donors to be nurtured. The sector has seen a steady growth in the popularity of these planned giving methods⁵.

However take-up of some regular giving methods, such as payroll giving, remain low. Evidence suggests that there are many benefits to maximising its potential⁶. Payroll giving donors provide charities with regular donations over an average lifespan of eight to ten years. Payroll giving also provides access to a new pool of donors who are not engaged in other forms of giving. For example, it is more likely to be used by men and by younger age cohorts.

Government should build upon the Review of Payroll Giving⁷ and work with companies, donors and charities to identify and address obstacles to Payroll Giving.

4. Simplification and improvement of Gift Aid

In the current economic climate, there is an even more compelling case for making donations tax-effective. The Government has made a number of welcome improvements to the system, in particular through the proposals announced in the 2008 Budget.

⁵ UK Giving 2008, CAF/NCVO 2008

⁶ Potter, V and Scales, J (2008) 'Review of Payroll Giving' London: Strategy Complete

⁷ Ibid

However, a lot more could be done to realise the potential of Gift Aid through further simplification. Cash and spontaneous gifts remain popular and account for a large percentage of all donations. Finding simpler ways to make these donations tax-effective will help to drive forward innovation in fundraising and expand opportunities for giving, including through the use of internet, mobile and other technology. Greater clarity and consistency across the regime should also be sought in order to increase confidence amongst charities using Gift Aid in a range of fundraising situations.

Government should continue to work with the sector to simplify Gift Aid in order to make it easier for spontaneous gifts to be made tax-effective and to achieve clarity, consistency and transparency in the guidelines.

Recent discussions between the sector and Government concerning ways to improve Gift Aid, have highlighted the possible benefits of an 'opt-out' rather than 'opt-in' approach. This concept should be explored and tested to establish whether such a change could result in improved administration processes for charities and would act to encourage donor participation in Gift Aid.

The case for enabling an 'opt-out' approach to Gift Aid should be further explored by Government and the fundraising community.

5. Encouraging higher earners to give more

In addition to the Gift Aid reclaimed by charities, donors who pay tax at the higher-rate can also claim tax relief for themselves at 20% of their gross donation or redirect any tax refund to charity. However, this research shows that only half of all higher-rate taxpayers are aware that this personal relief exists. Of those who were aware, just over a third had claimed back their tax in the past.

It is encouraging that 52% of higher-rate tax payers stated initially that they would be likely to choose to give this personal relief back to the charity. It is clear, however that the current procedure for doing this through the self-assessment tax return has a prohibitive effect, with only 24% stating that they would be willing to maximise their charitable donation in this way.

This research reveals that the ability to reclaim tax encourages charitable giving for 31% of respondents. CAF strongly believes, from our experience of working with donors, that the importance of this personal relief as an incentive will vary across different income groups and sizes of gifts. Any proposed change to the existing system must avoid an unintended negative impact upon giving that could result from completely removing this relief from the donor.

Government and the sector should establish a robust evidence base and improve the system for higher-rate tax relief on charitable donations, in order to encourage more higher earners to give, and to give more.

6. Expanding the portfolio of tax-effective giving mechanisms

The existing tax-relief system for charitable donations in the UK is generous. However, there may be additional initiatives that would engage a greater pool of donors and significantly increase levels of charitable giving. Despite the current economic circumstances, investment should be maintained for work to expand the range of available tax-effective giving mechanisms available. Building on the experience of fundraisers in other countries, including the United States, work is being undertaken, with the support of Government, to examine the potential of 'Lifetime Legacies'⁸ to appeal to and nurture and untapped group of donors and unlock capital for the sector. Further consideration should also be given to the tax relief available on gifts of works of art.

Government should continue to work with the sector to explore the case for introducing additional tax-effective giving mechanisms, including Lifetime Legacies.

⁸ A 'Lifetime Legacy' is a form of split interest trust. They allow a donor to make an irrevocable gift to a charity during their lifetime, of shares, property or cash, while retaining the benefit of the income or the use of the gift for the term of their life. The donor can make deductions against capital gains tax at the time of the gift and its value is not counted as part of their estate for the purposes of inheritance tax.

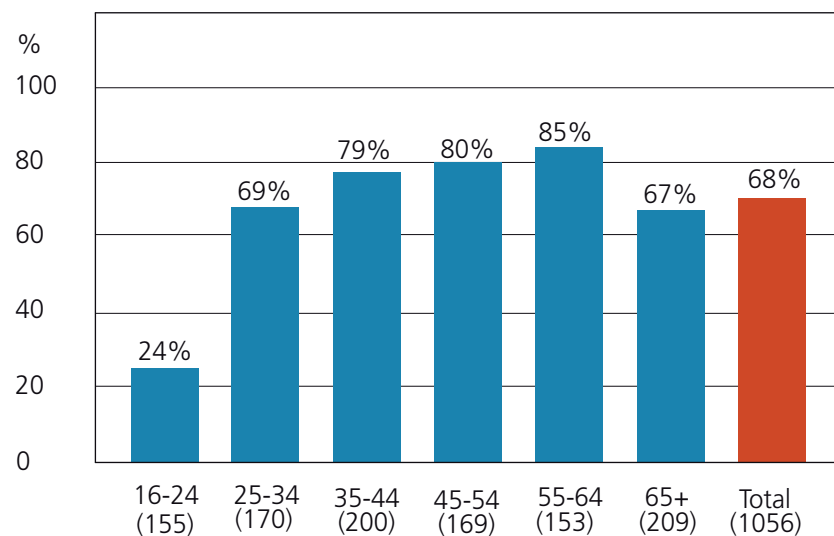
4. Tax-effective giving and the general public

4.1 Awareness of the concept of tax-efficient giving

The first question that was put to the public was “*Did you know, before today, that it is possible for UK taxpayers to give to charity tax-effectively?*”. A definition was then shown. 68% of the population answered that they had previously heard of tax-effective giving.

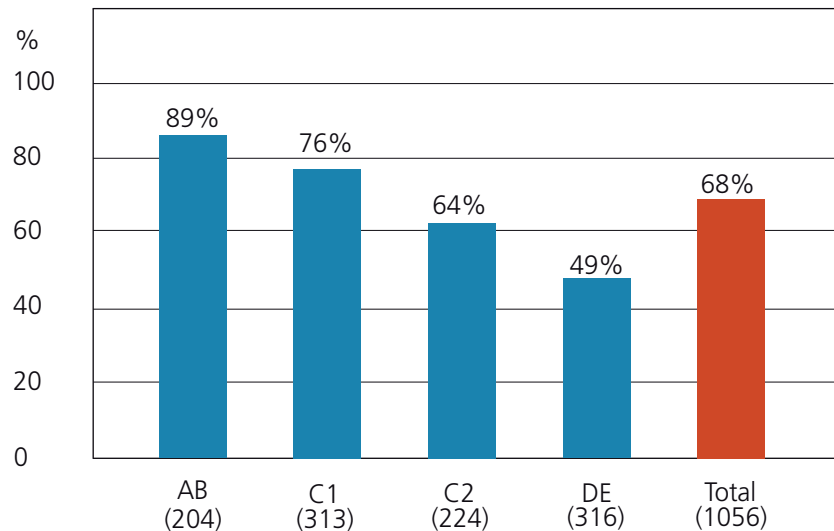
Figure 1, below, shows that young people are overwhelmingly less likely to be aware of the idea of giving ‘effectively’ than are other age groups. Whilst across the general public almost one-third had not heard about the concept of giving tax-effectively, over three-quarters of the younger generation (16-24 years of age) had not heard of it.

Figure 1: Awareness of concept of ‘tax-efficient giving’ by age



Further demographic analysis shows that social class is a second key area where differences are to be found. Almost nine out of ten members of the AB social class are aware of tax-efficient giving, but less than half of the DE social class are aware of the concept.

Figure 2: Awareness of concept of 'tax-efficient giving' by social class



Those not working were also found to be less likely to be aware of tax-effective giving than those who were working either full or part-time. No significant difference however was found in terms of gender; 69% of men and 67% of women are aware of tax-effective giving.

4.2 Comparison of spontaneous and prompted awareness of ways to give tax-effectively

Participants were asked an 'open' question inviting them to list all the ways of giving tax-effectively they are aware of. The answers from this open question are referred to in this section as 'spontaneous awareness'. All participants were then shown a list of five key ways to give tax-effectively. The answers from this question are known as 'prompted awareness'. The five tax-efficient giving mechanisms listed for respondents were:

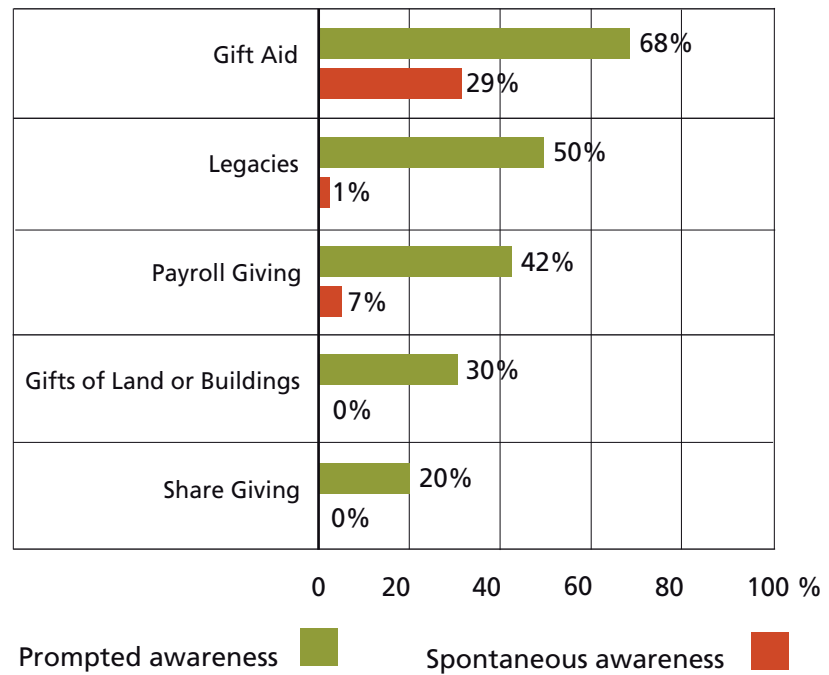
- Gift Aid
- Gifts of land/buildings
- Legacies/wills
- Payroll giving
- Share giving

Figure 3 compares spontaneous and prompted awareness. Looking first at prompted awareness, the chart confirms that Gift Aid, as may have been expected, is the most frequently recalled way to give tax-effectively in the UK. That 68% of those interviewed were found to be aware of Gift Aid makes it the only means of giving tax-effectively that substantially more than half of the population is aware of. Exactly half

of the UK public is aware of legacies as a tax-efficient way of giving to charity, and at 42%, just under half are aware of payroll giving.

The comparison between spontaneous and prompted awareness underlines the importance of Gift Aid; it is the only way to give tax-effectively that more than a tenth of the population is spontaneously aware of. What is also striking, however, is that legacies and payroll giving have respectable penetration at a prompted level, but almost no recognition at a spontaneous level.

Figure 3: Comparison of spontaneous and prompted awareness of ways to give tax-effectively



In order to get a sense of how deep the public understanding of these methods is, respondents who had indicated that they knew any of them when shown the list, were then asked whether they were fully or completely clear that these were specifically ways to give tax-effectively (as opposed to their simply recognising the words).

Almost two thirds (64%) of those who said they knew Gift Aid were fully confident that it is a way to give tax-effectively. However, only 55% of those who had said they were 'aware of payroll giving' had been fully sure that it relates to tax-effective giving, and only 43% of those who knew of the term 'legacies' had said the same.

4.3 Awareness by demographics

The following charts look more closely at demographic differences in levels of prompted awareness for the five ways to give tax-effectively that were listed in the questionnaire.

Figure 4, which looks at gender, shows that there is no sweeping difference in terms of how likely men and women are to be aware of the various ways to give tax-effectively. Statistically speaking, it is true to say that more women are aware of Gift Aid than are men, and by the same token statistically more men are aware of payroll giving than are women, but these differences are negligible in comparison with differences to be shown in the following charts.

Figure 4: Relationship between gender and prompted awareness of ways to give tax-effectively

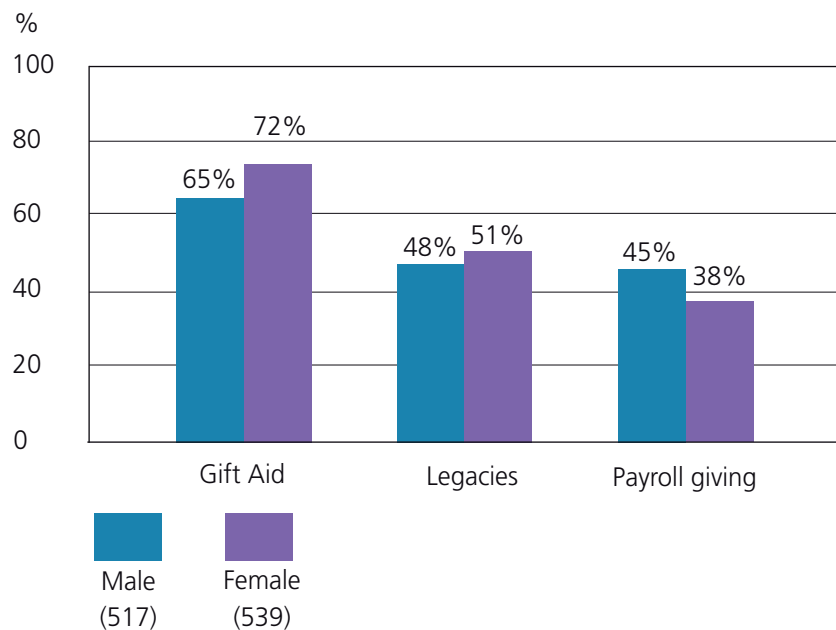
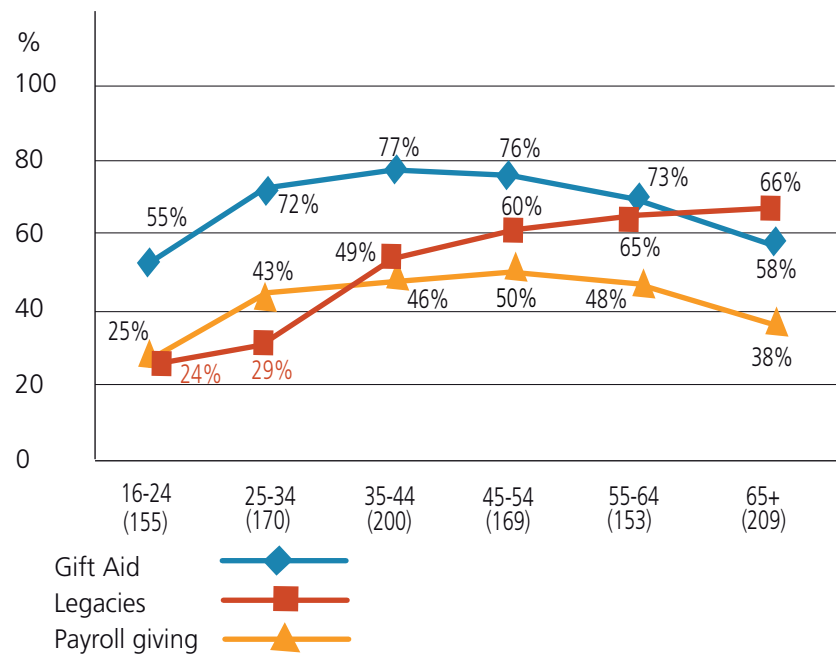


Figure 5 below explains how awareness of the five ways to give tax-effectively varies by age. A glance at the chart confirms that engagement with methods of giving tax-effectively is highly influenced by life-stage. However there are clearly different dynamics at work.

For Gift Aid and payroll giving (these being the best and third-best known ways to give) an 'n-shaped' pattern is shown. For both these ways to give, youth (16-24) and the older generation (65+) are found to be markedly less aware than those aged between 25 and 65. However, for legacies, arguably the one-way of giving effectively that

is most inherently linked to life-stage, awareness escalates with age, increasing most markedly when moving past the mid-thirties. This 'tipping point', during which awareness almost doubles, will reflect a number of issues. It may be due to individual considerations relating to wealth and wills, and the consideration of one's future, or alternatively it may be a reflection of the point at which fundraisers meet with more success in conveying the importance of carefully planning one's inheritance to donors.

Figure 5: Relationship between age and prompted awareness of ways to give tax-effectively

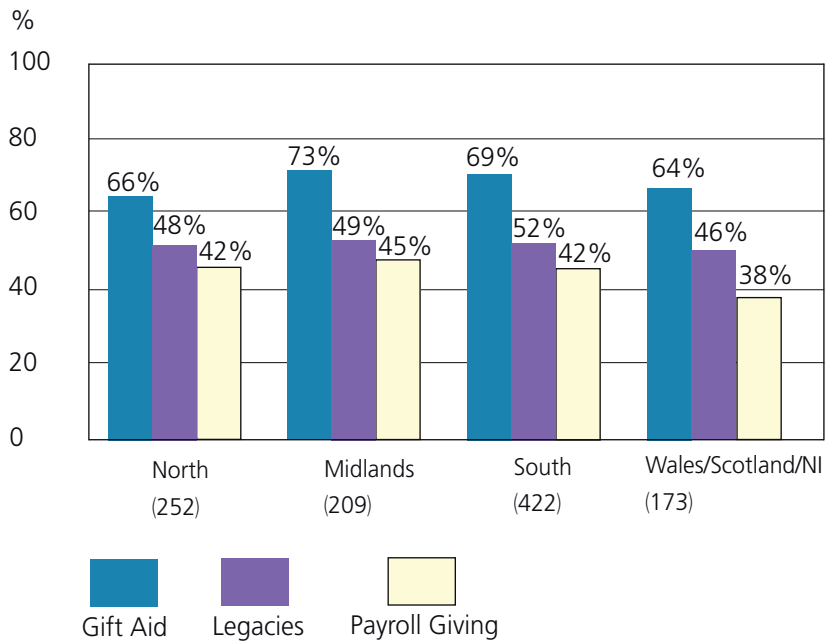


Geographically, the random sample of 1,056 respondents only allows topline evaluation as per Figure 6, below, by North, Midlands, South, and an amalgamation of Wales, Scotland and Northern Ireland.

The valuable finding here, ironically, is that there is so little to be found.

At this somewhat 'helicopter view', this chart shows that charities can rest assured that there are no profoundly different geographic 'hotspots' or 'coldspots' so far as the public bond with tax-effective giving is concerned.

Figure 6: Relationship between region and prompted awareness of ways to give tax-effectively

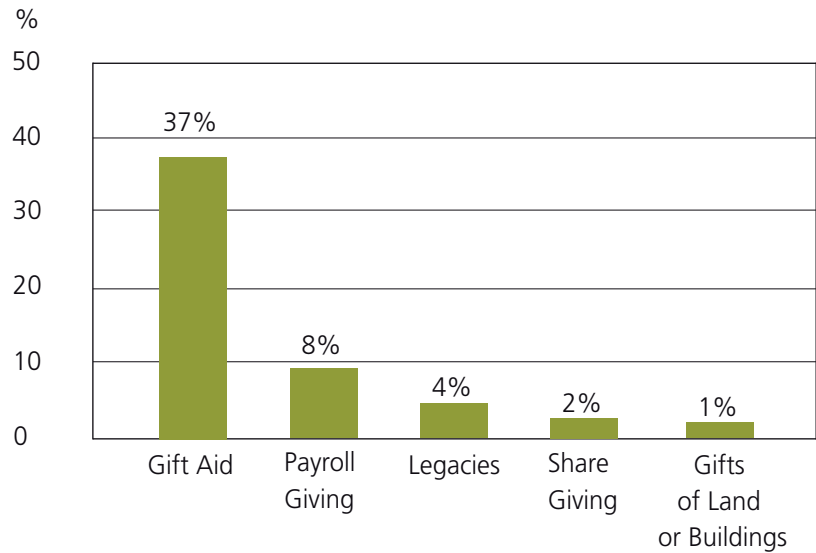


4.4 Current usage of tax-efficient giving mechanisms

Turning now to usage patterns, Figure 7 shows the proportion of the general public who had used each respective method on at least one occasion. Caution is needed in comparing these figures directly, as the inherently different ‘forms’ of these methods (ie very different frequencies of usage, and sums involved) means that each result must be considered in its own right. Nonetheless CAF feels that this is an important starting point and provides meaningful context.

As with awareness, Gift Aid not surprisingly dominates the usage footprint of the UK public. Over one third of the public has ‘ever’ used Gift Aid, whereas every other means of giving effectively has been used by less than one-tenth of the population.

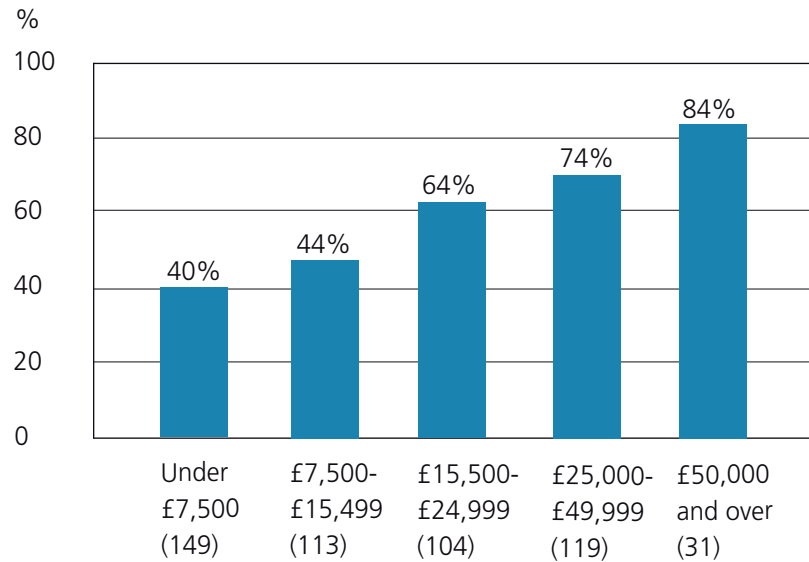
Figure 7: Usage of various ways to give tax-effectively



The data for usage mirrors that for awareness shown in Figures 1 and 2, in that usage is again here shown to be highly correlated with age and social class in particular. Echoing the awareness data very closely, only 27% of youth (16-24) who are aware of Gift Aid had used the scheme before, whereas over half of all the other age groups who were aware of Gift Aid had done so.

Mirroring the findings around tax-effective giving and social class, Figure 8 shows how there is a clear relationship between income and likelihood to have used Gift Aid. Clearly, the more one earns, the more one is likely to know about Gift Aid.

Figure 8: Relationship between income and usage of Gift Aid

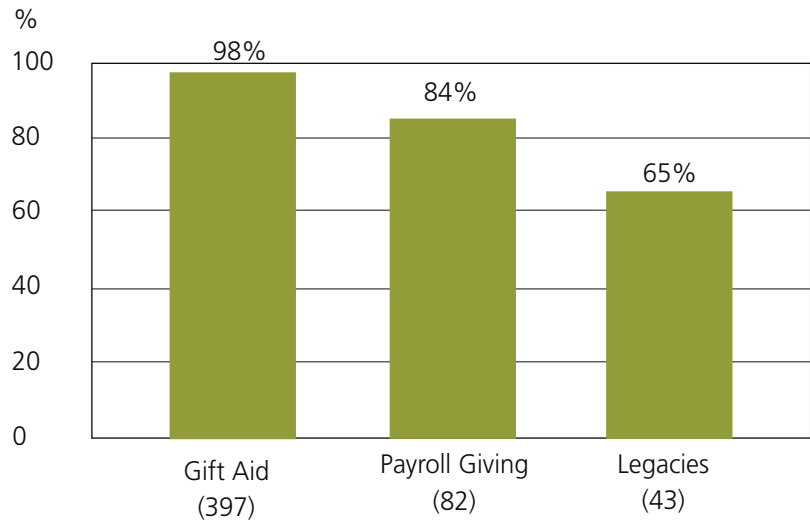


4.5 Satisfaction with and interest in tax-effective giving

Those who had used the various ways to give effectively were asked how they felt about their experience. Equally, those who had never used them were asked how interested they are in using them.

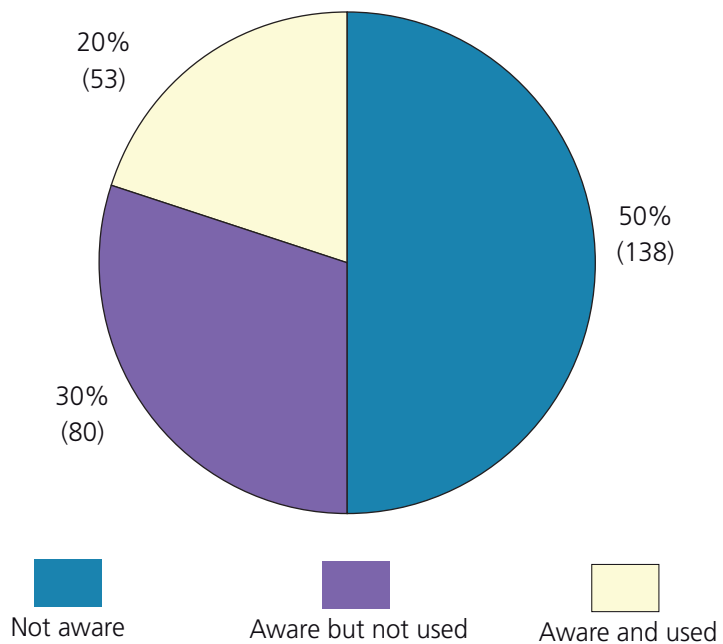
Almost all those who had used Gift Aid (98%) were satisfied with the experience of using it. Fewer, but still a very clear majority (84%) of those who had used payroll giving were satisfied with the experience. Intriguingly, only 65% of those who are engaged in the legacy process said that they felt positive about the experience, although it is beyond the scope of this research to dig into the potentially complex reasons for this.

Figure 9: Proportion of users who feel positive about their experience



Members of the public who had been aware of the respective ways to give but not used them were asked whether they felt positive about using them. For each of the three key methods, less than half indicated that they felt positive.

Figure 10: Proportion of aware non-users who feel positive about trying respective ways to give effectively



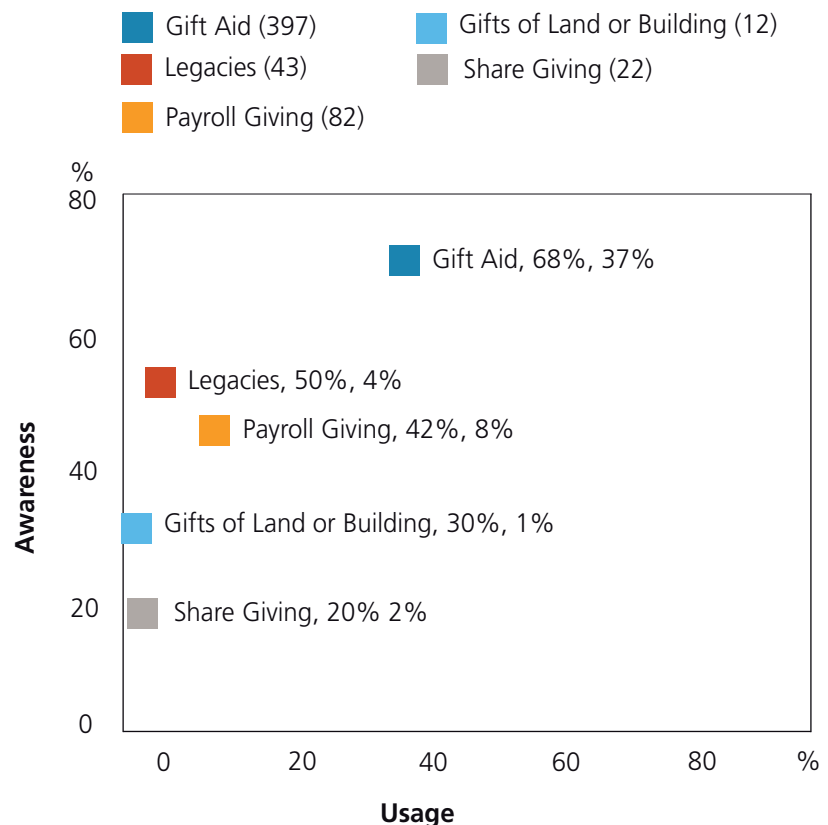
It was also found that similarly, those who had no knowledge at all of these ways to give effectively prior to the interview (ie those who became aware of them during the showing of showcards during the interview) are even less likely to want to try them. Only one-fifth of these people said they were interested in Gift Aid, and less than one-tenth in every other method of giving.

In summary, those who had used tax-effective methods of giving are clearly satisfied with the experience, yet those who have not used them are in the main against using them.

4.6 Combined view of awareness and usage

The final chart in this section looking at the bond between the public and tax-effective giving summarises the two key strands of data already shown in this section; the overall proportion of those who are aware of each method to give effectively (shown vertically) and the proportion who have used each method (shown horizontally). This underscores the extent to which Gift Aid dominates the 'share of mind' of the modern donor when thinking about how to give effectively.

Figure 11: Combined view of awareness and usage



5 Focus on higher-rate taxpayers

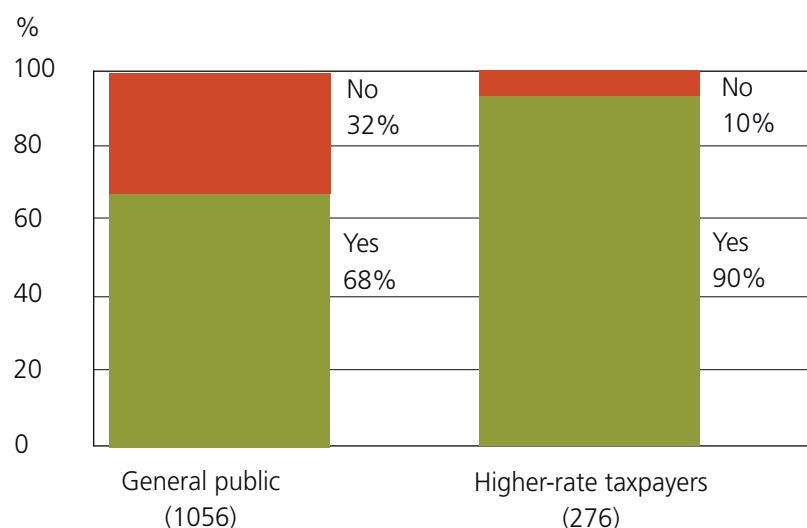
There are now nearly four million higher-rate taxpayers in the UK⁹. It is particularly important to focus on how this demographic sits in terms of engagement with tax-effective giving, not only because of their higher incomes and their ability to boost their donations by up to 40% through tax-effective giving, but also because of the discretionary decision open to them around either keeping, or giving to charity, the difference between the basic and higher-rate of tax.

This section of the report is split into two parts. The first looks at the issues of awareness and usage, as per the previous section. The second part presents the findings from a number of questions relating to this group's understanding around, adoption of, and attitudes towards this option to pass the full amount to charity.

5.1 Awareness and usage

Figure 12 shows that awareness of tax-efficient giving is significantly higher among higher-rate taxpayers than it is amongst the general population. Most, but not all, higher-rate taxpayers are aware of tax-effective giving. However, one in ten had not heard of the idea before the interview.

Figure 12. Comparison of awareness of tax-efficient giving concept; general public versus higher-rate taxpayers



Demographic analysis again shows significant difference in terms of social grade, and age. 95% of higher-rate tax-paying ABs are aware of

9 <http://www.telegraph.co.uk/finance/personalfinance/consumertips/tax/2792678/Nearly-4m-higher-rate-taxpayers-in-the-UK.html>

tax-effective giving, but the same is true for only 78% of C1s (these being the only two groups where sufficient sample size was achieved to compare). The 251 respondents were split evenly in terms of age; 96% of the older higher-rate taxpayers are aware of the concept, whereas only 82% of the younger group said the same.

Figure 13 explores awareness of the five listed tax-efficient giving mechanisms, comparing again the main sample and higher-rate taxpaying samples.

The results show that higher-rate taxpayers have a greater awareness of each of the mechanisms than does the general population. As a rule of thumb for the three key methods shown below, higher-rate taxpayers' spontaneous awareness of these methods is around double than of the public at large, and their prompted awareness (the most unequivocal perspective) is around a third higher than the general public.

Across the three key methods of effective giving, it is in the payroll giving area that the difference between higher-rate taxpayers and the public at large is most clear; under a half of the public at large is aware of payroll giving (42%) whereas two-thirds of the higher-rate taxpayers (67%) indicated that they know of this option.

Figure 13 Comparison of spontaneous and prompted awareness of tax-effective giving methods: general public versus higher-rate taxpayers

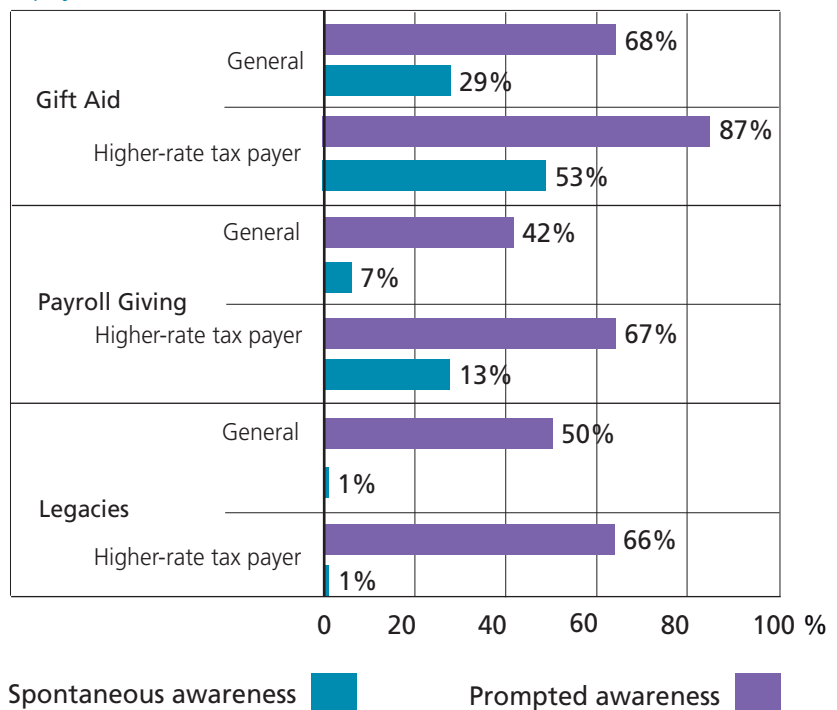
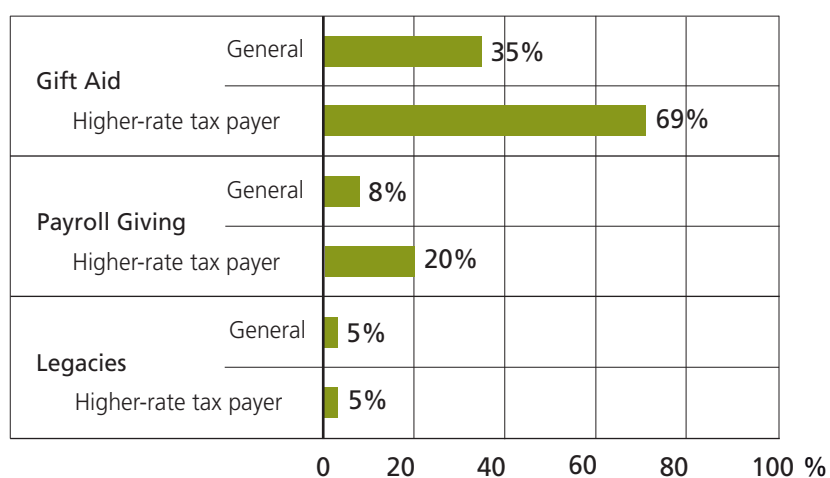


Figure 14 shows that usage of Gift Aid and payroll giving is approximately twice as common among higher-rate taxpayers as it is amongst basic rate taxpayers. The same cannot be said however for legacies – where there is no difference in the exposure to this mechanism between the two samples.

Figure 14. Comparison of usage of mechanisms by the general public and higher-rate taxpayer



5.2 Issues specific to higher-rate taxpayers

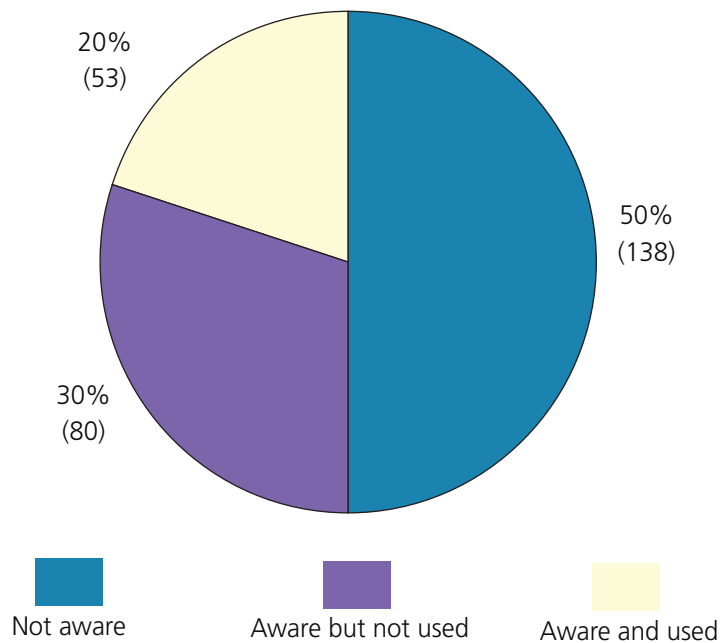
5.2.1 Awareness and usage of option to reclaim 20% personal tax relief

In addition to the basic rate of income tax that charities can reclaim on Gift Aid donations, if an individual pays income tax at the higher-rate (40%), then the additional 20% in tax on the gross amount of any donation can be reclaimed by the donor. This means that on a donation of £100, a higher-rate taxpayer is entitled to reclaim £25, which they can choose to keep for themselves or donate to charity, via the Self Assessment tax return.

CAF asked higher-rate taxpayers a series of questions about their awareness and use of this tax relief, and their likelihood to donate it to charity.

Figure 15 shows that half of all higher-rate taxpayers were not aware that they could reclaim the 20% personal tax relief for themselves. From those that were aware of the option, more said that they had not used the option than had.

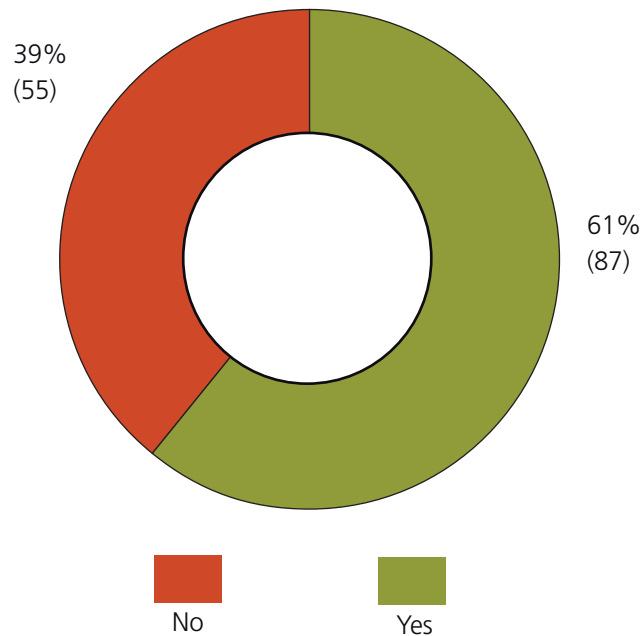
Figure 15. Higher-rate taxpayers' awareness and usage of facility to reclaim 20% personal tax relief



5.2.2 Interest from those not previously aware of the scheme

The higher-rate taxpayers not aware of the scheme prior to the interview were then read an explanation, and asked if they felt that they would be likely to use it to reclaim personal relief. Of these, 61% said that they would do so in the future.

Figure 16. Future claimed usage of the facility to reclaim the 20% of personal tax relief back, by those not previously aware of it

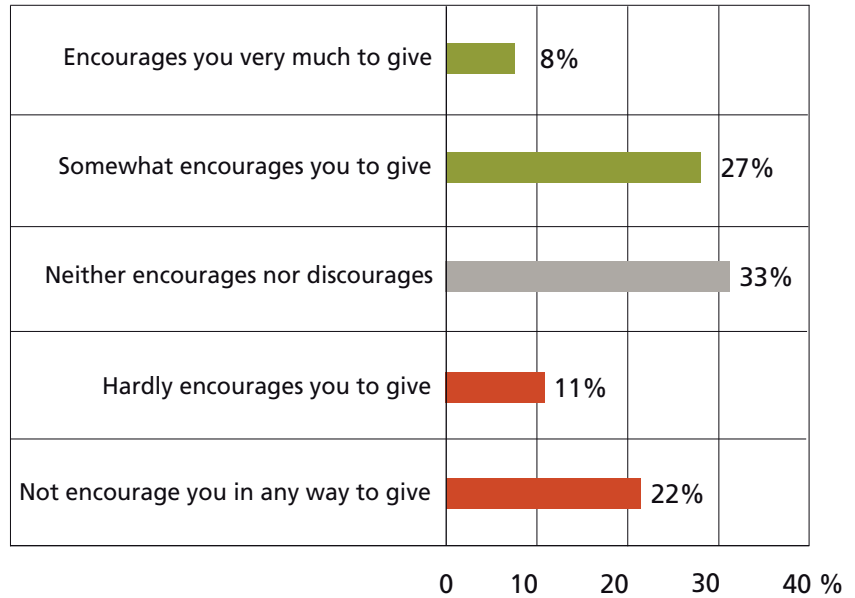


5.2.3 Attitudes towards the impact of the scheme

With all respondents by this point in the interview aware of the scheme, they were asked whether they felt that the personal tax relief encourages them to give to charity.

Figure 17 shows that opinions were divided; in the region of one-third were positive, negative and ambivalent. 31% said that it did act as incentive to give, 34% said no, and 35% said that it neither encourages nor discourages. Deeper analysis reveals that the only demographics around which a clear difference is seen is the amount given to charity. Those who had given more to charity in the previous month were far more likely to answer positively; 42% of those giving more to charity agreed that the facility encourages giving.

Figure 17. Attitudes towards 20% relief and impact on encouragement to give



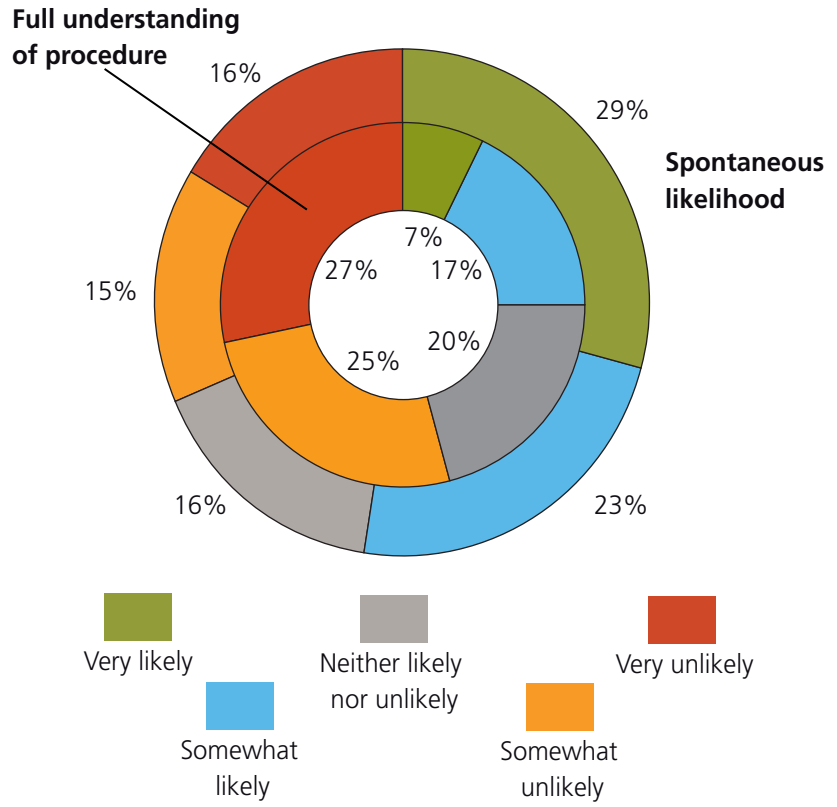
5.2.4. Likelihood to re-direct the 20% to charity

When asked about their likelihood to direct their 20% tax relief to charity, just over half of the sample (52%) said that they would be likely to do this. More of the 71 female higher-rate taxpayers (61%) said that they would be likely to give the 20% to the scheme than did the males (49%) although this difference is not statistically significant. No other marked demographic difference was found.

The procedure for giving the tax relief to charity was then explained to all respondents¹⁰, and they were asked again about their likeliness to give to charity using the Self Assessment return. The aim was to observe if there was any change in their answers. Overall, respondents became far less likely to want to give to charity once they understood the process fully, with those being very or somewhat likely to do so more than halving from 52% to 24%.

¹⁰ See Question 11 of the questionnaire in Appendix A1 for the exact wording.

Figure 18. Likelihood to pass the 20% personal tax relief to charity based on full understanding of procedure



A1 Research methodology

A module of questions was inserted in GfK NOP's Random Location Omnibus (a weekly UK telephone omnibus of the general population). In the first wave, 1,056 adults aged 16 and over were interviewed between 20-25 November 2008. In order to boost the number of higher-rate taxpayers interviewed, two booster waves were run between 27 November and 2 December and again between 11-16 December 2008; 251 interviews were achieved in total.

A1.1 Questionnaire

<p><i>Now for some questions on the subject of charity...</i></p> <p>Q.1a Did you know, before today, that it is possible for UK taxpayers to give to charity tax-effectively? By tax-effectively we mean in ways that allow taxpayers to prevent the tax on their donation to charity going to the tax man, but instead to charities. CODE ONE ONLY</p>	<p>Yes 01 No 02</p>																								
<p>ASK Q.1b IF RESPONDENT KNOWS ABOUT GIVING TAX-EFFECTIVELY (CODE 01) AT Q.1a. OTHERS GO TO Q.2</p> <p>Q.1b Which ways to give tax-effectively can you think of? Which others? RECORD VERBATIM</p>	<p>None 01 Don't know 02</p>																								
<p>ASK ALL</p>																									
<p>Q.2 SHOWCARD G1. I am going to read out a list of five ways that the public can give to charity tax-effectively. For each of these ways, which of the statements on this card best applies to you? CODE ONE ONLY FOR EACH.</p> <p>A = I had never heard of this term in any way before today B = I had heard of the term before today, but wasn't sure it is a way to give tax-effectively C = I had heard of the term before today, and was sure it is a way to give tax-effectively</p>	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="width: 10%; text-align: center; color: blue;">A</th> <th style="width: 10%; text-align: center; color: blue;">B</th> <th style="width: 10%; text-align: center; color: blue;">C</th> </tr> </thead> <tbody> <tr> <td>i) Gift Aid.....</td> <td style="text-align: center;">01</td> <td style="text-align: center;">02</td> <td style="text-align: center;">03</td> </tr> <tr> <td>ii) Legacies</td> <td style="text-align: center;">01</td> <td style="text-align: center;">02</td> <td style="text-align: center;">03</td> </tr> <tr> <td>iii) Payroll giving.....</td> <td style="text-align: center;">01</td> <td style="text-align: center;">02</td> <td style="text-align: center;">03</td> </tr> <tr> <td>iv) Share giving</td> <td style="text-align: center;">01</td> <td style="text-align: center;">02</td> <td style="text-align: center;">03</td> </tr> <tr> <td>v) Gifts of land or buildings.....</td> <td style="text-align: center;">01</td> <td style="text-align: center;">02</td> <td style="text-align: center;">03</td> </tr> </tbody> </table>		A	B	C	i) Gift Aid.....	01	02	03	ii) Legacies	01	02	03	iii) Payroll giving.....	01	02	03	iv) Share giving	01	02	03	v) Gifts of land or buildings.....	01	02	03
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v) Gifts of land or buildings.....	01	02	03																						

<p>Q.3ai. SHOWCARD 'GIFT AID' You said that you are not aware of Gift Aid. On this card is a definition of Gift Aid, please have a read through and once you have finished tell me whether you think you were in fact aware of Gift Aid before today, or not. INTERVIEWER: IF YES, ASK: is that fully or partially aware? CODE ONE ONLY</p>	<p>Yes, fully aware..... 01 Yes, partially aware 02 No, not aware..... 03</p>
<p>ASK Q.3aii IF RESPONDENT IS AWARE OF GIFT AID (CODES 02 OR 03) AT Q.2i. OTHERS GO TO INSTRUCTION AT Q.3bi.</p>	<p>CODE ONE ONLY</p> <p>Yes, fully fits 01 Yes, partially fits 02 No, doesn't fit at all 03</p>
<p>[Q3ai and Q3aii are then repeated for legacies, payroll giving, share giving and gifts of land/buildings]</p>	
<p>ASK ALL AWARE OF ANY TAX-EFFECTIVE WAYS OF GIVING (ANY CODES 02 OR 03) AT Q.2. OTHERS TO INSTRUCTION AT Q.4b</p>	
<p>Q.4a SHOWCARD G2. For each of the ways to give tax-effectively that you are aware of, which of the statements on this card most closely reflects your involvement with it?</p> <p>SHOW REDUCED LIST OF THOSE CODED 02 OR 03 AT Q.2. CODE ONE ONLY FOR EACH</p>	<p>01 = Used and feel positive – likely to use again 02 = Used and feel negative – unlikely to use again 03 = Not used and feel positive – likely to use 04 = Not used and feel negative – unlikely to use 05 = Not used and not applicable – unlikely to use 06 = Don't know</p> <p>i) Gift Aid..... 01 02 03..... 04..... 05... 06 ii) Legacies 01 02 03..... 04..... 05... 06 iii) Payroll giving 01 02 03..... 04..... 05... 06 iv) Share giving 01 02 03..... 04..... 05... 06 v) Gifts of land or buildings 01 02 03..... 04..... 05... 06</p>

<p>ASK ALL NOT AWARE OF ANY TAX-EFFECTIVE WAYS OF GIVING (ALL CODE 01) AT Q.2. OTHERS TO Q.5</p>	
<p>Q.4b SHOWCARD G3. For each of these ways to give tax-effectively, which of the statements on this card most closely reflects how likely you are to use it?</p> <p>SHOW REDUCED LIST OF THOSE CODED 01 AT Q.2. CODE ONE ONLY</p>	<p>01 = Very unlikely 02 = Somewhat likely 03 = Neither likely nor unlikely 04 = Somewhat likely 05 = Very likely 06 = Don't know</p> <p>i) Gift Aid..... 01....020304.... 05.....06 ii) Legacies 01....020304.... 05.....06 iii) Payroll giving 01....020304.... 05.....06 iv) Share giving 01....020304.... 05.....06 v) Gifts of land or buildings 01....020304.... 05.....06</p>
<p>Q.5 SHOWCARD G3 And still on the subject of charity, which of these best reflects how much, if anything, you have given to charity in the past month?</p> <p>CODE ONE ONLY</p>	<p>Nothing 01 1p to £5 02 £5.01 to £10 03 £10.01 to £50 04 £50.01 to £100 05 £100.01 and above..... 06</p>
<p>Q.6 Now, before the next few questions, can I just check, are you a higher-rate tax payer, or not? That is someone who pays Income Tax at the higher-rate of 40%. CODE ONE ONLY</p>	<p>Yes 01 No 02 Refused 03</p>
<p>ASK Q.7 IF RESPONDENT IS A HIGHER-RATE TAX PAYER (CODE 01) AT Q.6. OTHERS GO TO Q.12</p>	

<p>Q.7 Now, we want to ask you about the personal tax relief that you, as a higher-rate tax payer, can claim on charitable donations.</p> <p>In addition to the basic rate of income tax that charities can reclaim on Gift Aided donations, if you pay income tax at the higher-rate (40%), you can reclaim for yourself the additional 20% in tax on the gross amount of any donation. This means that if you give £100 to charity, you are entitled to £25 of tax repayment. In order to do this you have to keep a record of all your donations and enter them into the relevant section of your tax return or get in touch with the tax office that handles your tax affairs.</p> <p>Were you aware before today, that you can do this? That is reclaim this 20% personal tax relief on every donation in this way.</p> <p>CODE ONE ONLY</p>	<p>Yes 01 No 02 Don't know 03</p>
<p>ASK Q.8a IF AWARE (CODE 01) AT Q.7. OTHERS GO TO Q.8b</p>	
<p>Q.8a Have you ever reclaimed personal tax relief on donations in this way?</p> <p>CODE ONE ONLY</p>	<p>Yes 01 No 02</p>
<p>ASK Q.8b IF NOT AWARE (CODES 02 OR 03) AT Q.7. OTHERS GO TO Q.9</p>	
<p>Q.8b Knowing this now, would you now choose to reclaim personal tax relief if you were in a position to do so? CODE ONE ONLY</p>	<p>Yes 01 No 02</p>

<p>ASK ALL (H RTP)</p> <p>Q.9 To what extent do you feel that this personal tax relief encourages you to give or give more to charity? Would you say...?</p> <p>READ OUT. CODE ONE ONLY</p>	<p>Does not encourage you in any way to give 01</p> <p>Hardly encourages you to give 02</p> <p>Neither encourages you nor discourages you 03</p> <p>Somewhat encourages you to give..... 04</p> <p>Encourages you very much to give 05</p>
<p>The last two questions on this subject ask you about how willing you would be to give this 20% to charity, rather than keeping it for yourself</p>	
<p>Q.10 Firstly, in principle, how likely would you be to choose to give your personal tax relief directly back to charity (rather than keeping it for yourself)? Would you say ...?</p> <p>READ OUT. REVERSING ORDER. CODE ONE ONLY</p>	<p>Very unlikely 01</p> <p>Somewhat unlikely..... 02</p> <p>Neither likely nor unlikely 03</p> <p>Somewhat likely..... 04</p> <p>Very likely 05</p> <p>Don't know 06</p>
<p>Q.11 And finally on this subject, I am going to repeat this last question, but tell you a little more about the reality of completing this process. Currently if you complete a self-assessment tax return, you can donate any tax refund to charity. However you will still need to keep a record of all your donations, as if reclaiming the relief for yourself. You will also need to obtain a unique code from the charity you wish to give to, or from HMRC's website. This code has to be entered into the relevant section of the tax return. You are able in this way to choose to give your tax repayment to just one charity.</p> <p>How likely are you to give your personal tax relief directly back, knowing what is involved? Would you say ...?</p>	<p>Very unlikely 01</p> <p>Somewhat unlikely..... 02</p> <p>Neither likely nor unlikely 03</p> <p>Somewhat likely..... 04</p> <p>Very likely 05</p> <p>Don't know 06</p>

<p>ASK ALL Before the next series of questions, I would like to ask you another classification question.</p>	
<p>Q.12 SHOWCARD G INC. Can you tell me what your total PERSONAL income is from all sources before TAX and other deductions? Please just give me the relevant number on this card</p>	<p>UNDER £2,500..... 01 £2,500 - £4,499 02 £4,500 - £6,499 03 £6,500 - £7,499 04 £7,500 - £9,499 05 £9,500 - £11,499 06 £11,500 - £13,499 07 £13,500 - £15,499 08 £15,500 - £17,499 09 £17,500 - £19,999 10 £20,000 - £24,999 11 £25,000 - £34,999 12 £35,000 - £49,999 13 £50,000 - £74,999 14 £75,000 - £99,999 15 £100,000 AND OVER..... 16 Don't know 17 Refused 18</p>

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A Generous Society (2008); Office of the Third Sector
Key barriers to the adoption of Gift Aid (2008); Ipsos MORI for HMRC and CAF
Real help for communities: volunteers, charities and social enterprises (2009); Office of the Third Sector
UK Giving 2008 (2008); CAF and NCVO

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