

Fair shares for charity

By Richard Dyson

How do you give £4,500 to charity by handing over less than £1,000? Answer: by taking advantages of generous tax breaks allowed on donations of shares.

Today marks the launch of the Spare Shares campaign, an initiative to raise awareness among Britain's 12 million shareholders about tax concessions on share donations.

The tax breaks have been in force for several years, but according to the Giving Campaign, which is leading the initiative, four out of five investors have never heard of them.

For some, gifting shares is already an established form of charitable donation. Entrepreneur Alastair Muir from Swindon, says: 'It is easy as writing a cheque, except that it costs less because of the taxman's contributions.'

Alastair, 39, is a volunteer with the Wiltshire & Swindon Community Foundation, a small charity that raises money for needy people and organisations in the area.

He is also an active investor who regularly donates shares. This form of giving not only boosts the charity but also works in his favour because he pays tax at the higher rate of 40 per cent and he pays capital gains tax. Under the share gifting tax rules, both forms of tax attract relief. In 2002, for instance, Alastair donated

Generous tax breaks boost gifts made by investors

1,500 shares in the American Tyre Corporation, the worth £4,500, to the foundation.

He acquired the shares through a bonus scheme, so the full £4,500 potentially counted as a capital gain attracting 40 per cent tax.

If he had simply sold them, he would have had to pay £1,800 tax as well as dealing charges. For American shares, the charges are hefty.

But by giving the shares to charity, Alastair escaped both capital gains tax and dealing fees. Even better, he was able to deduct £4,500 from his incomes for that tax year, reducing his tax bill by an extra £1,800. The tax he saved totals £3,600, meaning the donations effectively cost him £900.

Giving Campaign spokesman Peter Gilheany says: 'In his case, the relief equates to 80 per cent. The circumstance is unusual, but it is difficult not to get excited by that degree of tax-break.' Most investors can benefit, though perhaps not as much, says Gilheany.



Sensible giving: donating shares slashed Alastair Muir's tax bill

To give away shares directly to charities, first contact the organisation. Most major charities will accept either share transfer forms – for investors who hold share certificates – or shares transferred directly from nominee accounts. Very small shareholdings may be given to another charity, Sharegift, which pools them.

Tax relief can be claimed when investors complete their self-assessment tax returns. It will be calculated in the value of the shares at the time of donation.