

7. FUNDING SOURCES

This section of the manual outlines various avenues for raising more funds for income generation or for financing capital projects.

1. Tax-efficient giving

Gift Aid

All parishes should promote Gift Aid for both planned regular giving and also for one-off gifts. Provided the donor is a UK tax payer and makes a valid declaration (see the section on Gift Aid in the Taxation section of the manual), the PCC is able to recover the tax that is deemed to have been deducted from the donor.

For example, with a 20% basic rate of tax, a donor wishing to Gift Aid £100 is effectively giving the PCC £125.00 as the PCC can recover £25.00 from HM Revenue & Customs. The principle behind this is that, for tax purposes, the donor is viewed as having given £125.00 less tax at 20%, £25.00, i.e. a gift of £100. That is the basis for the Gift Aid donation amounting to an extra 25p in the £ for a basic rate taxpayer.

Prior to 6 April 2008, the basic rate was 22% and that meant that the PCC could get back 28p in the £. To alleviate the shortfall in income due to the change in the basic rate to 20%, the Chancellor has announced a gift-aid repayment supplement of 2% which runs from 6 April 2008 to 5 April 2011. This will mean that charities will effectively continue to get back 28p in the £ during that period provided the basic rate stays at 20%.

It is important that the donor has paid at least as much UK income tax or capital gains tax as is deemed to have been deducted from Gift Aid donations. If not, the donor could be liable to pay to HM Revenue & Customs the tax they were deemed to have deducted. Tax deducted at source from, for example, bank interest and tax credits on dividends count as UK tax for this purpose.

Higher rate taxpayers, who currently pay tax at 40%, can also obtain tax relief on Gift Aid donations. Taking the example of the one-off gift above, HM Revenue & Customs add the gross value of the gift to the taxpayer's personal allowance that is deducted from income to calculate taxable income. The taxpayer thereby obtains relief at 40% on £125.00, which amounts to £50.00, less the £25.00 received by the deemed deduction – net relief of £25.00. In that case, the total gift of £125.00 to the parish cost the taxpayer £75.00 – an increase of 66p in the £. However, with the 2% transitional relief the parish would get £128.20 representing an increase of 71%. Furthermore, if the taxpayer so wishes, it is now possible to give any

7. FUNDING SOURCES

tax refund to the parish or any other charity by completing the appropriate box on the self assessment tax return.

Companies can also make donations by Gift Aid. The company obtains relief from corporation tax but is not deemed to have deducted tax from the donation so that the PCC cannot recover the tax from company donations.

Deeds of covenant

Some parishes are still receiving donations under a deed of covenant. Such gifts are administered as if they were Gift Aided.

Gifts of investments and property in kind

Donors can give listed investments and UK land and buildings to the parish – either as an outright gift or by selling them to the PCC at less than full value.

Outright gifts to charity have been free of both capital gains tax and inheritance tax for some time. Since 6 April 2000 (for investments) and since 6 April 2002 (for land and property) the donor, which can be an individual or a company, can also deduct the value of their gift from their taxable income, thereby obtaining tax relief at basic or higher rate tax, where applicable. The deduction from income is based on the market value of the gift at the time of the gift or sale plus any costs incurred in the transfer less any money received from the charity if it has been a sale below full value. For example, the gift of £10,000 worth of shares by a higher rate taxpayer would mean that the taxpayer could deduct £10,000 from taxable income saving £4,000 in tax. The net cost to the taxpayer would be £6,000 – an uplift of 66p in the £1. In addition, if there would have been a capital gains tax liability on the sale of the shares, the donor also saves that. What is more, should the donor die within 7 years of the gift there would be no inheritance tax liability. It is worth pointing out that the taxpayer would not receive the benefit immediately but it would flow from declaring the gift on the annual self assessment tax return. The taxpayer could give more by signing over the tax refund to the parish when completing the self assessment tax return.

Payroll giving

Payroll giving is another tax-efficient means of giving. It is worth inviting parishioners to approach their employers with a view to making a regular donation to the parish by means of a deduction from gross pay before tax.

7. FUNDING SOURCES

A basic rate taxpayer giving £50 per month would save £11 in tax – a net cost to the taxpayer of £39 but the parish would receive £50 – an extra 28p in the £1. For a higher rate taxpayer the cost would be £30 – an extra 66p in the £1.

Assets donated by companies

In addition to investments and land and buildings, companies can also save corporation tax by donating assets to the parish. It might, therefore, be worth inviting local companies to donate computers, photo-copiers as required.

Legacies

Where a person's estate is likely to incur an inheritance tax liability, a legacy or the bequest of part of the residue of the estate to the parish is a tax-efficient means of giving. The current rate over the exemption limit, £300,000 for 2007/08, is 40%. A legacy of £10,000, effectively costs the estate only £6,000 – a bonus of 66p in the £1.

2. Grants and loans

The Church and Community Fund

This fund, formerly known as the Central Church Fund, gives small grants, usually of below £5,000, with a £10,000 maximum, to help initiate or sustain imaginative local projects, which should manifest a sense of vision and should be of benefit to the Church locally and as a whole.

The Fund's scope is wide and flexible. The Committee is likely to be particularly sympathetic where there is imagination in responding to need and where projects seek to bridge a gap between the Church and the local community.

For further information, please see the website at www.centralchurchfund.org.uk.

Parish loans from the Diocese

Loans are available for up to 5 years from the Diocese. Please refer to the section on Diocesan services.

7. FUNDING SOURCES

Grants and loans from the Diocese for new building projects

Small grants and loans to help with new building projects are available as Archdeacons' loans and grants or New Project Group grants. Examples of projects assisted included:

- Feasibility studies for new building projects or forms of ministry schemes
- Enabling a one-off project related to a missionary or community need
- Match funding/further assist funding
- Repairs in exceptional circumstances

Applications should be made through the Archdeacons. Grants applications are usually considered in early June or December.

3. Legacies

Local parish churches have always received legacies from faithful church members and well-wishers. Such legacies may be an act of thanksgiving to God and a witness to family and friends; they should be seen as additional to and indeed a culmination of their regular lifetime giving.

Some parishes accept legacies as welcome, unexpected gifts, while others openly encourage their people to make a legacy to their church. It is appropriate to give church members clear and helpful information about giving in this way.

4. Fundraising events

Fundraising projects can be used to promote the church in the local community as well as raise funds for the PCC. If done properly therefore, it can be part of the church's mission. Non-churchgoers may well support a church's fundraising events as an expression of being part of the community served by the church.

Fundraising needs to be adapted according to the particular parish's circumstances. What works for one parish may not necessarily work for another. Each parish should use the resources available to it.

Please refer to the section on Taxation as the cost of advertising, goods for collecting donations, pre-printed envelopes, printed appeal letters, lapel stickers given to acknowledge a donation should all be zero-rated for VAT.

Reference should be made to the diocesan website at www.oxford.anglican.org/funding/