

Qualitative research to understand charitable giving and Gift Aid behaviour amongst better-off individuals

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Glossary

CAF Accounts	Charities Aid Foundation (CAF) accounts are banking accounts solely used for the purpose of donating to charity.
Gift Aid	Gift Aid applies to large or small, regular or one-off payments to registered charities. A donor completes a declaration to confirm that they will pay an amount of Income Tax or Capital Gains Tax, equal to the tax the charity claims on their donations, for the year in which the donation(s) was (were) made. Gift Aid allows the charity to reclaim the basic rate tax on the donation from HMRC. Additionally, with evidence of the donation, a higher rate income tax payer can claim tax relief on the difference between the basic and higher rate tax on each of their donations.
Gifts in land and buildings or shares and securities	Income Tax relief applies if you give or sell any qualifying investments to a UK charity at less than the market value. The amount you can deduct is the net benefit to the charity, plus incidental costs (broker or legal fees), less any disposal proceeds or other benefits received on disposal.
HMRC	HM Revenue & Customs
Legacies	Inheritance tax is reduced if at least 10% of a donor's estate is left to a charity.
Payroll Giving	If their employers offer Payroll Giving, employees can authorise their employer to deduct regular charitable donations from their gross pay (after National Insurance Contributions have been deducted). The employer then pays these donations to a Payroll Giving agency approved by HM Revenue & Customs. The agency then distributes the money to the charity or charities.
Social Investment Tax Relief Fund	A scheme designed to support charities and social enterprises in accessing certain debt and equity finance from individual investors by offering 30% income tax relief. It is available for investments made on or after 6 April 2014
TDF	Theoretical Domains Framework (a framework which integrates and simplifies a number of behaviour change theories)

Executive Summary

Background

- Gift Aid increases the value of charitable donations made by UK taxpayers to registered charities by allowing charities to reclaim the basic tax rate for the donation. Higher and additional rate taxpayers can claim marginal rate tax relief on donations. There are also several other forms of tax reliefs available for charitable donations including; payroll giving, gifts of shares or securities, gifts of land or buildings, the Social Investment Tax Relief Fund and leaving a legacy.
- The main aim of this research was to improve understanding of the reasons better-off individuals donate to charity as well as the impact of Gift Aid and tax reliefs for charitable giving on their donor behaviour.
- Ipsos MORI conducted 32 interviews with higher and additional rate taxpayers, with an income of at least £100k pa who had claimed marginal rate tax relief on a donation of at least £100 through Gift Aid.

Charitable Giving Behaviour

- Four main types of motivations for charitable giving were identified:
 1. Identity – participants linked giving to charity with their self-identity.
 2. Emotion – giving created positive emotion and assuaged negative ones.
 3. Social Influences – giving because others expected or wanted them to.
 4. Outcomes – giving to make a specific and tangible difference.
- Participants donated to a range of charity types including large, national charities; smaller, local charities (often a place of worship); or specific charitable projects. Participants' choice of charity was closely linked with their motivations for giving.
- The main factors affecting the amount participants donated were:
 1. Norms – what was expected of them or what was needed.
 2. Targets – what they wanted to give each year.
 3. Financial circumstances – what they felt they could afford to give.
- Two main types of charitable giving behaviour were identified:

Active Donors – these participants were primarily motivated by Identity and Outcomes and they mainly donated to local charities or specific projects. They also often had financial targets.

Responsive Donors – these participants were primarily motivated by Social Influences and Emotion and they mainly donated to national or local charities. They were often influenced by social norms and expectations.

Awareness of available tax reliefs for donations

- Gift Aid was the most widely known tax relief available for charitable donations; however, it was not always well understood. Participants held misconceptions about how tax reliefs were split between the charity and the donor and, in some cases, were unaware that the relief was split at all.
- Awareness of leaving a legacy was also high. Some participants had already set one up and many of those who did not have one in place said they had strong interest in doing so. However, this was seen as something to be done later in life rather than something which could be set up now and amended if needed in the future.
- There was good awareness of payroll giving and some had used this system either as an employee, or as an employer in order to encourage charitable behaviour.
- There was low awareness of gifts of shares or securities and land or buildings. Typically, participants assumed that some kind of relief might be available for these but were unaware of what they were. These were not felt to be relevant to participants who said they did not have these kinds of assets to donate.
- Awareness of the Social Investment Tax Relief Fund was very low although there was some interest in it as a concept.

The impact of Gift Aid on Charitable Giving behaviour

- Participants generally felt that tax reliefs had little impact on their decision to make a donation and it was not seen as a motivation in itself. However, tax reliefs did have an impact on donation behaviour. Many said it was something they considered when making a donation and encouraged them to be more generous and in some cases, participants factored relief in precisely to maximise their donation amount. Even those who said that tax reliefs had no impact on them reported that they were conscious of claiming them when they could.
- Claiming reliefs was not really seen as difficult, although there was some confusion about what types of donations tax relief could be claimed for. The main barrier to claiming reliefs was felt to be record keeping which was seen as burdensome and this seemed to have an impact on how consistently participants claimed relief. Those who did not claim for every donation said this was because they did not, or did not want to, spend the time needed to keep appropriate records.
- Although participants did not report that tax reliefs were a motivation to give, they did place importance on their ability to claim them. While for many, they were simply seen as a bonus, others felt that they had an impact on charitable giving behaviour, either as a pure financial incentive to give, or because they created a wider expectation of charitable giving within society.
- In some cases, tax reliefs seemed to have a disproportionately positive impact on donation behaviour as participants reported that the knowledge of being able to claim tax relief encouraged them to increase a donation by more than the amount which they would receive in relief.

- Participants suggested that if tax reliefs through Gift Aid were no longer available then this would have a negative impact on charities. They suggested that charities would not only lose an important source of income through tax reliefs but would also receive fewer or lower donations as donors would no longer be incentivised to give.

Tax relief preferences

- There was little support for changing tax relief structures in the Gift Aid system. Participants felt that the current system was fair to both donors and charities, and was simple to administer.
- Although some said they would be happy for charities to claim all tax relief on a donation, the prevailing view was that change could mean that charities would be worse off as donors may not only donate less but may make a disproportionate reduction in their donations in response.
- Participants were also against taking basic rate relief from the charity as they felt this would remove an important income source for them which the donor may not make up.
- Suggestions for making claiming tax reliefs easier centred on reducing the burden of record keeping for the donor by providing them with an online account or an app to make keeping track easier.
- Suggestions for encouraging people to donate focussed on providing new or greater levels of reliefs for donations. These included higher reliefs for large donations, including for basic rate tax payers and tax relief on time donated. Some participants also said that tax reliefs on business donations would be of interest to them. However, it should be noted that tax reliefs on charitable donations are already available for companies which indicates that participants were unaware of other forms of charitable tax reliefs which may have been relevant to them.

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1 Introduction and background

Chapter Summary

- (i) Gift Aid increases the value of charitable donations made by UK taxpayers to registered charities by allowing charities to reclaim the basic tax rate for the donation. Higher and additional rate taxpayers can claim marginal rate tax relief on donations. There are also several other forms of tax reliefs available for charitable donations including; payroll giving, gifts of shares or securities, gifts of land or buildings, the Social Investment Tax Relief Fund and leaving a legacy.
- (ii) The main aim of this research was to better understanding of the reasons better-off individuals donate to charity as well as the impact of Gift Aid and tax reliefs for charitable giving on their donor behaviour.
- (iii) Ipsos MORI conducted 32 interviews with higher and additional rate taxpayers, with an income of at least £100k pa who had claimed marginal rate tax relief on a donation of at least £100 through Gift Aid.

1.1 INTRODUCTION

This report contains findings from qualitative research conducted with higher-rate taxpayers who have claimed tax relief on a donation through Gift Aid. The research was undertaken by Ipsos MORI Social Research Institute on behalf of HM Revenue & Customs. In this introductory section we set out:

- The context of the research;
- The research objectives;
- The methodology;
- The sampling and recruitment;
- Interpretation of data.

1.2 RESEARCH CONTEXT

Gift Aid increases the value of charitable donations by allowing a registered charity to reclaim the basic income rate tax (currently 20%) on donations made by UK taxpayers. Charitable donors who pay higher or additional rates of income tax (currently 40% and 45% respectively) can also claim tax relief through Gift Aid by claiming the difference between the basic rate and marginal rate of tax on each donation. For example, if a higher rate (40%) taxpayer donates £100 to charity, Gift Aid will allow both the charity and the donor to claim back £25 each.

In addition to Gift Aid, there are several other tax incentives available for charitable giving:

- Payroll Giving – allows UK taxpayers to make tax-free donations to UK Registered Charities through their salary.

- Gifts in Shares and Securities – eliminating capital gains tax in shares which have appreciated.
- Gifts in Land and buildings – charitable donors do not have to pay tax on any land or building that they donate to charity.
- Social Investment Tax Relief Fund – allows individuals who invest in qualifying social organisations a reduction of 30% of that investment in their tax bill.
- Leaving a Legacy – allows individuals a reduction in Inheritance Tax if they leave at least 10% of their estate to charity.

The last research into charitable giving and better-off donors was conducted in 2007¹ and so HMRC is interested in updating understanding of the awareness, attitudes and behaviours of better-off individuals in relation to charitable giving and use of tax reliefs, in light of a changing economic climate and revisions of tax rates

1.3 RESEARCH OBJECTIVES

The overarching aim of the research was to form a better understanding of the reasons better-off individuals² donate to charity as well as the impact of Gift Aid and tax reliefs for charitable giving on their donor behaviour.

The specific objectives of the research were to:

1. Understand the motivations for charitable donations and use of tax reliefs.
2. Understand existing tax relief behaviour.
3. Explore tax relief preferences.

HMRC were also interested in exploring how motivations, attitudes and behaviours have changed since the research conducted in 2007.

1.4 METHODOLOGY

Ipsos MORI conducted 32 interviews with higher and additional rate taxpayers, with an income of at least £100k pa who had claimed marginal rate tax relief on a donation of at least £100 through Gift Aid. Of these interviews, 30 were conducted face-to-face and two were conducted by telephone.

A qualitative face-to-face approach was adopted to obtain thorough details of the participants' circumstances, experiences, and attitudes. This approach enabled interviewers to establish a rapport with participants and gain their trust, enabling them to explore sensitive issues, such as charitable giving behaviour and tax planning. In two cases, participants requested telephone interviews which were conducted to ensure that the participants were not excluded from the research.

Interviews took place between 13th February and 6th March 2015 and each interview lasted for up to one hour and was conducted at a time which suited the participant.

¹ Taylor, J, Webb, C & Cameron, D: Charitable Giving by Wealthy People, HMRC Revenue and Customs Research Report (Ipsos MORI 2007)

² Better-off individuals were defined as UK taxpayers with an income of at least £100k pa.

When conducting the interviews, a semi-structured discussion guide was used to ensure all relevant topics and key issues were explored consistently, while also enabling the interviewer to delve deeper into any issues of particular importance for the participant. This can be found in Appendix A.

As is common practice in qualitative research an incentive was offered to encourage participation. As such, a donation of £75 was made by Ipsos MORI to a UK registered charity of the participant's choice as a gesture of appreciation for their time and contribution to the research.

Analysis of the findings was conducted throughout the fieldwork period using an analysis framework in which notes and interview transcripts were coded against key themes as well as analysis sessions with the interview team.

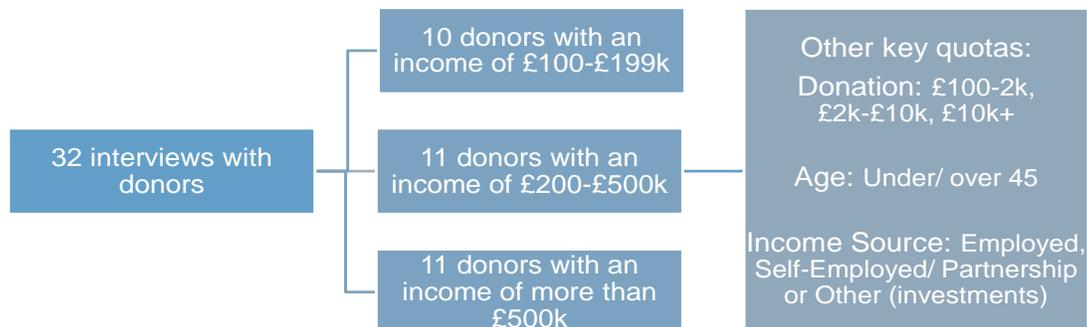
1.5 SAMPLING AND RECRUITMENT

Sample was provided by HMRC from internal databases based on Self Assessment returns for 2012/2013. The sample included taxpayers with annual incomes of at least £100k who had claimed tax relief on at least one charitable donation of £100 or more in that year.

HMRC sent a letter to each individual in the sample in order to notify them of the research and give them the opportunity to opt-out before their details were provided to Ipsos MORI.

Recruitment was conducted by Ipsos MORI executive recruiters who contacted individuals by telephone in order to explain the research and conduct a short recruitment questionnaire before arranging an interview. The recruitment questionnaire was used to ensure that sampling criteria (outlined in figure 1.1 below) were met.

Figure 1.1



In addition to these criteria, minimum quotas were also set on:

- Who claimed the tax relief – including both those who claimed the relief personally and those who used an agent.
- Consistency of claiming reliefs – to ensure that both those who claimed tax relief on every donation and those who did not were included.

- Reported donation behaviour - individuals were asked whether they had a 'planned' or 'unplanned' approach to donations or a mix of the two.

It is worth noting that there were no gender quotas in place for this study as around eighty-five percent of the leads in the sample were male. Ensuring that some women were included was an important consideration during recruitment although just two interviews were achieved.

The sample covered the entire UK although three quarters of leads were in the South East of England. All interviews were conducted in England and Scotland.

The sample for this study differed from that of the 2007 study³ in a number of ways:

- This study included a lower income bracket of £100k-£199k while the 2007 study only included those with incomes of £200k.
- This study only included those who had claimed tax relief on a donation of at least £100 whereas the 2007 study included both donors and non-donors.
- Gift Aid was the only form of tax relief used by donors in this study whereas the 2007 study included those who had claimed relief on gifts of shares and properties.

1.6 INTERPRETATION OF DATA

Qualitative research is illustrative, detailed and exploratory. It seeks to understand not only what people think and do but why this is the case. The volume and richness of the data generated allows for a detailed picture to be developed of the range and diversity of views, feelings and behaviours and this can be used to develop new concepts and theories. The findings in this report are intended to provide insight into the charitable giving behaviours of better-off individuals but the purposive nature with which the sample was drawn means that they cannot be considered to be representative of this audience as a whole.. As such, the word 'participant' has been used throughout the report in reference to an individual who took part in the research.

³ Taylor, J, Webb, C & Cameron, D: Charitable Giving by Wealthy People, HMRC Revenue and Customs Research Report (Ipsos MORI 2007)

2 Charitable Giving Behaviour

Chapter Summary

- (i) Four main types of motivations for charitable giving were identified:
 1. Identity – participants linked giving to charity with their self-identity.
 2. Emotion – giving created positive emotion and assuaged negative ones.
 3. Social Influences – giving because others expected or wanted them to.
 4. Outcomes – giving to make a specific and tangible difference.
- (ii) Participants donated to a range of charity types including large, national charities, smaller, local charities (often a place of worship) or specific charitable projects. Participants' choice of charity was closely link with their motivations for giving.
- (iii) The main factors affecting the amount participants donated were:
 1. Norms – what was expected of them or what was needed.
 2. Targets – what they wanted to give each year.
 3. Financial circumstances – what they felt they could afford to give.
- (iii) Two main types of charitable giving behaviour were identified:
 - Active Donors – motivated by Identity and Outcomes, mainly donated to local charities or specific projects, often had financial Targets.
 - Responsive Donors – motivated by Social Influences and Emotion, mainly donated to national or local charities, often influenced by Norms.

2.1 INTRODUCTION

This chapter explores participants' motivations for charitable giving, the types of charities they donated to and the factors which affected the amount they donated. It also discusses the extent to which participants wanted control over how their donations were used.

In order to understand participants' motivations for charitable giving, a highly credible framework, Theoretical Domains Framework (TDF)⁴, was used to ensure that different types of motivations were uncovered during interviews and to act as a coding framework during analysis stage.

2.2 MOTIVATIONS FOR CHARITABLE GIVING

The reasons which participants had for giving to charity were not always clear, even to the participants themselves. For many participants, 'why do you give?' was not an easy question to answer either because they had not previously thought about it or because

⁴ <http://www.implementationscience.com/content/pdf/1748-5908-7-37.pdf>

there were numerous reasons for their giving which were difficult to disentangle and prioritise.

In order to understand the underlying motivations for participants' charitable behaviour, their reasons for giving were coded within the TDF and this process identified four types of motivations:

1. Identity – participants linked giving to charity with their self-identity.
2. Emotion – participants gave in order to create positive emotions or assuage negative ones.
3. Social Influences – participants gave in order to meet the expectations of others.
4. Outcomes - participants focussed on what could be achieved with the donation.

The four motivations themselves cannot be viewed as completely distinctive. For example, Identity factors are likely to be linked with earlier Social Influences, such as how the participants' family behaved when the participant was younger. Therefore, these motivations should not be viewed as working in isolation from each other. Participants often described being motivated by more than one of these factors when making a donation but there tended to be a primary motivation which drove their behaviour.

Identity

Participants who were motivated by identity factors described charitable giving as an important aspect of either their religious beliefs or their personal values. Those who linked their donations to their religion said they believed that charitable giving was an essential part of these beliefs. They typically reported high donation levels in comparison to other participants and many they said they aimed to donate a specific percentage of their income each year, such as a tithe, in line with their religious beliefs. Their donations were typically made to their local place of worship or to a charity connected with it.

“It’s my faith. It’s something that I believe as part of my faith that I should do.”

Male, Under 45, Income: £100k-£200k, Donated: £10k+

The other type of identity driven donations were made by participants who said that their family had taught them the importance of charitable giving when they were children and that it had become a part of their life from a fairly young age. These participants spoke of their donations in a similar way to those who gave for religious reasons, they said that they did it because they had been taught that charitable giving was the right thing to do and should be a normal part of a person's life. Although they felt similarly about their donations and also tended to focus on local charities, the amount they donated tended to be lower than those motivated by religious beliefs.

“It’s just something I was brought up thinking was right to do. My parents instilled those values in me from a young age.”

Female, Under 45, Income: £100k-£200k, Donated: £100-£2k

Emotion

To some extent, participants linked emotional responses to all the donations they discussed. In most cases, this was described as the positive emotions they had when they made a donation to charity, that they had done a good thing for others and that they should feel happy about that. Donations were also made to prevent negative feelings such as guilt, which they might experience if they did not respond to a specific request for charitable donations or if they more generally felt that they were not giving enough each year.

“Well, I guess it’s like a lot of things in life, you do it because it makes you feel better than you would if you didn’t. Whatever people say, charitable giving isn’t really selfless because there is an internal reward for giving.”

Male, Under 45, Income: £200k-£500k, Donated: £100-£2k

While the other three types of motivations often seemed to influence how much participants donated, for instance by paying a tithe or giving the amount asked or needed, it was unclear whether, or how emotion was linked with donation level. However, it certainly influenced who they donated to. Many who donated to health charities in particular, spoke of the emotional connection they had with that cause because a loved one had been affected by it. Although their support for these charities was also motivated by a desire to achieve an outcome, such as provide resources or support research, many participants primarily spoke of how the donation made them feel.

“All those donations that are made to charities like Cancer Research or Macmillan, all those millions of pounds that are donated, a lot of that is probably given by people who have lost someone to cancer. I give to Macmillan because they took care of my mother and I give to them in her memory.”

Male, Over 45, Income: £100k-£200k, Donated: £100-£2k

Social Influences

Participants reported a range of social influences which affected their charitable giving including friends, family, their local community, their employer or colleagues. Social influences were often discussed in terms of expectations which others had of them and they felt they had an obligation to meet. This applied to both making donations in response to specific requests, for instance, a friend or colleague seeking sponsorship, or more long-term support to a charity which they had been made aware of and encouraged to support. In some cases, social influences seemed to drive the charitable behaviour of the participant as they linked all of the donations discussed with an external influencer.

“I don’t think I ever really choose a charity, it feels like other people choose them for me. Someone I work will choose a charity to run a marathon for and a friend will choose a charity to be a trustee of or an advocate for and they’ll get me to donate to them. I don’t have causes, I support, I just know people who have causes which they ask me to support.”

Male, Over 45, Income: £200k-£500k, Donated: £2k-£10k

Further, there were instances of participants’ charitable giving behaviour being affected by other people which went beyond influence and became obligation. These participants reported that they had not really regularly donated to charity until they had taken a job or promotion which contractually obliged them to donate a specific percentage of their salary each year. Some of these participants had since left these jobs but they had continued to support their chosen charities at the same level and said that it had become a habit over the years which they saw no need to break.

Outcomes

Participants motivated by outcomes described their focus being on the impact which their donation could have. While they still mentioned other types of motivations, especially emotion and social influences, the key for them was to know that they could make a difference to people or to a cause which they cared about. In some cases, these participants also spoke of their wish to create a legacy while they were still alive by using their charitable donations to build something new.

“We’re creating things, our money can create careers, it can create art and it can create knowledge. Those things will be our legacy.”

Male, Over 45, Income: £100-£200k, Donated: £10k+

These participants, along with some of those who were motivated by identify factors, tended to report the highest donation levels in comparison to their income. Some also described having donation targets in place, although these tended to be driven by what the charity needed to create something rather than a specific percentage of the participant’s income. They tended to favour small charities or projects as they felt that this would be where their donations could have the greatest impact, or, at least, make their individual contribution easier to identify.

2.3 TYPE OF CHARITY DONATED TO

Participants spoke of three distinct types of charity based on the size and purpose of the charities as well as how donations could be used. These were:

1. National charities.
2. Local charities.
3. Specific charitable projects.

In many cases, participants reported donating to a range of charity types and most did support one or two national charities to some extent each year. However, they tended to

have a charity type which they preferred and directed most of their donations to each year. There were no clear links between participants' preference for charity type and donation levels, instead motivations for giving seemed much more influential. These issues are discussed for each charity type below.

National charities

Donations to national charities were made either by regular monthly direct debits or through one-off donations, typically in response to a request made either by the charity itself or someone raising money on behalf of the charity by, for example, running a marathon. The latter type of donation was so common that every participant was able to give recent examples of sponsoring a friend, relative or colleague who was raising money for a national charity. This meant that social influence was a key motivator for donations to these charities.

Participants who made regular donations to national charities said that they had chosen to do this because they wanted to support a charity which addressed issues they emotionally connected with, for example health, homelessness or children's charities.

In some cases, these regular donations had been set up by the participant in response to an event in their lives, for example, donations to a health charity supporting people with an illness which a friend or relative had recently died from. However, in most cases it seemed that these donations had been set-up in response to direct or indirect requests from the charities for support or because the participant wanted to formalise their charitable giving.

“I think the way most people donate is that a friend's doing some kind of charitable run, and they make one offs. And I was doing that for a while, and in the end I thought it was a bit too random. That's why I kind of moved on to a direct debit scenario setting that allows me to give some thought as to who I contribute to.”

Male, Under 45, Income: £200-£500k, Donated: £100-£2k

Participants who made most of their donations to national charities said that they felt happy to make a contribution to a large pool of money. They accepted that this would mean they would not be able to control how their money was used or see the impact of it. Indeed, many participants, including those who chose to focus their donations on different types of charities, said that they trusted national charities to use donations wisely and there was little concern about donations being used for administration costs. Some participants went further and argued that charities are right to spend money on areas such as staff benefits and salaries to ensure that they could recruit talented staff which would make the charity more successful.

“I don't have a problem with charities getting the best staff they can get and paying them fairly. That's how successful organisations work, I don't think charities should run differently because they are funded by donations, that's quite an old fashioned idea, I don't know anyone my age who thinks that way.”

Male, Under 45, Income: £500k+, Donated: £2k-£10k

This was in contrast to the previous study from 2007⁵ which found that donors were often reluctant to donate to national charities because they lacked trust in the charities to use funds effectively. Specifically, participants in that study were concerned about how much of a donation would be used for running costs for the charity as supporting salaries and administration costs was not something they wanted their money used for.

Local charities

Local charities included charities which supported a certain group within a local community, for example, disabled children, older people or homeless people, or places of worship. Participants who focussed on these types of charities tended to be motivated by identity factors (especially religion) outcomes, or social influences.

Both restricted and unrestricted donations were made to these charities but this seemed to be driven by the needs of the charity rather than the wishes of the participants. For example, participants who donated to their place of worship tended to make unrestricted donations either monthly or annually but they also made one-off donations collected for specific uses, for example, a new roof.

“I don’t think about it in terms of what I want to get out of the donation but what the church needs to get out of it. I make lump sum donations for their general use, they can decide what that is and then if they need something specifically, they can explain that and ask for a certain amount.”

Male, Under 45, Income: £200k-500k, Donated: £10k+

Participants who donated for religious reasons tended to focus their donations on local charities, often directly to their place of worship or to a local charity connected to their place of worship in some way, for example, a food bank run by a church.

Participants who made donations to non-religious local charities tended to be motivated by outcomes, for example, wanting to make a difference locally, or social influences, for example, because they knew someone involved in the charity.

Specific charitable projects

Participants who supported specific projects tended to be motivated by outcomes. They wanted to make a tangible difference and, in some cases, create something from scratch. Social influences were also important as participants who donated to projects tended to find out about them from people they knew.

Participants tended to choose projects which they were interested in and cared about. Projects included wildlife studies, scholarships and arts projects. Donations to these projects tended to be restricted and in some cases, participants made highly specific requests for how their donations should be used, for example, specifying that a donation

⁵ Taylor, J, Webb, C & Cameron, D: Charitable Giving by Wealthy People, HMRC Revenue and Customs Research Report (Ipsos MORI 2007)

to a arts project could only be used for supporting the involvement of young talent. By doing this, participants felt that they could achieve highly specific and tangible results from their donations which they saw as more personal than making unrestricted donations to larger charities.

“I like to donate to the project because I know exactly what they do with it...I know exactly what they have in mind. So I like it when there’s a specific project rather than just donate to Cancer Research. I’m sure they would do good things too but I feel my way is more personal.”

Male, Under 45, Income: £500k+, Donated: £2k-£10k

2.4 FACTORS AFFECTING DONATION LEVELS

Participants reported annual donation levels ranging from a few hundred pounds to those donating up to 10% of their annual net income which amounted to tens of thousands of pounds. There were no clear links between donation level, income and the type of charity the participant donated to but generally, donations to national charities were lower than those made to local charities or specific projects.

Principally, participants felt that the amount they donated was driven by the amount they earned and generally they reported that both of these figures had increased in recent years. Many participants reported that they increased their donation amounts in response to pay increases or bonuses.

More widely, participants identified three main factors which influenced the amount they donated:

1. **Norms and Expectations:** Participants reported that they would consider what others would be donating and what people would be expecting of them. This was a particular concern for those donating to colleagues as they felt they would be criticised if they donated too little or too much and as such this is closely linked with the Social Influences motivation. Many said that they had set amounts when responding to requests for donations from people they knew. In other circumstances, participants would simply donate the amount needed, often if they were motivated by Outcomes for example, paying for a scholarship.

“If I sponsor someone at work then I have to be aware that I earn more than almost everyone else, that has to be reflected.”

Male, Over 45, Income: £200-500k, Donated: £2-£10k

2. **Targets:** Some participants set targets for donating a specific percentage of their net income annually, for example a tithe. Others took a less structured approach by reviewing the amount they had donated across a year and considering whether or not they felt this had been enough. Targets were most often set by those motivated either by Identity or Outcome factors.

“I try to maintain at the very least a 10% outlook that says whatever I get, 10% of that I want to give away.”

Male, Under 45, Income: £100k-£200k, Donated: £10k+

3. **Financial circumstances:** Participants spoke of needing to balance their family's financial needs with their charitable giving. This meant that donations increased or decreased in response to other financial demands such as mortgage rates, new cars or school fees. This factor was important to participants regardless of their motivations for making donations.

“I’d say it’s mostly just about how much I feel I can afford to give. It increases every year because I make more every year. I gave very little when I was in my twenties.”

Male, Under 45, Income: £500k+, Donated: £10k+

2.5 TYPES OF DONATION BEHAVIOUR

Two main approaches to charitable giving were identified. These were based on analysis of the issues covered in this chapter, including participants' choice of charities, donation levels, motivations and level of involvement with the charity.

Active donors

Active donors tended to donate to one charity primarily, which was normally a local charity or project, although they did also make smaller donations to national charities. They were likely to be motivated by Identity factors and they said that charitable giving was an important aspect of who they were and how they lived their lives. Because of this, they tended to be involved in a charity to some extent, either as a trustee or occasional volunteer. They were also motivated by Outcomes and placed importance on seeing tangible results and having a personal connection with the charities they supported.

Responsive donors

Responsive donors tended to donate to a wider range of charities. While some did donate regularly to the same charities, they described their approach to charitable giving as donating in response to specific requests or wider appeals rather than as a result of deciding which charities they wanted to support. This meant that Social Influences were important to these participants as requests of encouragement from those they knew often created or shaped their donation behaviour.

While they felt that charitable giving was important for society and something everyone should do if possible, they did not say it was an important aspect of their own lives. Their charitable behaviour was often characterised by convenience rather than active involvement as they would donate when opportunities to do so were brought to them rather than seeking out causes to support. They typically made unrestricted donations and had little involvement or contact with the charities they supported. However, while their level of engagement with charities was much lower than Active donors their donation levels were often higher.

3 Awareness of available tax reliefs for donations

Chapter Summary

- (i) Gift Aid was the most widely known tax relief available for charitable donations; however, it was not always well understood. Participants held misconceptions about how tax reliefs were split between the charity and the donor and, in some cases, were unaware that the relief was split at all.
- (ii) Awareness of leaving a legacy was also high. Some participants had already set one up and many of those who did not have one in place said they had strong interest in doing so. However, this was seen as something to be done later in life rather than something which could be set up now and amended if needed in the future.
- (iii) There was good awareness of payroll giving and some had used this system either as an employer, in order to encourage charitable behaviour, or as an employee.
- (iv) There was low awareness of gifts of shares or securities and land or buildings. Typically, participants assumed that some kind of relief might be available for these but were unaware of what they might be. These were not felt to be relevant to participants who said they did not have these kinds of assets to donate.
- (v) Awareness of the Social Investment Tax Relief Fund was very low although there was some interest in it as a concept.

3.1 INTRODUCTION

This section explores the levels of awareness that participants had of specific tax reliefs: Gift Aid, leaving a legacy, payroll giving, shares and securities or land and properties and Social Investment Tax Relief Fund. This section will also explore what participants believed the purpose of Gift Aid to be and how this has changed since the previous study was conducted in 2007⁶. However, it should be noted that as the sampling criteria for this study differed to those used in 2007 (see section 1.5); a like for like comparison between the studies was not possible.

3.2 OVERVIEW OF AWARENESS LEVELS

As in the previous research, Gift Aid was the most widely known tax relief available for charitable giving. There was also fairly high awareness of leaving a legacy and payroll giving. Awareness of shares and securities or land and properties was low and even those who had heard of them did not feel that they were relevant to their circumstances.

⁶ Taylor, J, Webb, C & Cameron, D: Charitable Giving by Wealthy People, HMRC Revenue and Customs Research Report (Ipsos MORI 2007)

There was very little awareness of the Social Investment Tax Relief Fund (see figure 3.2).

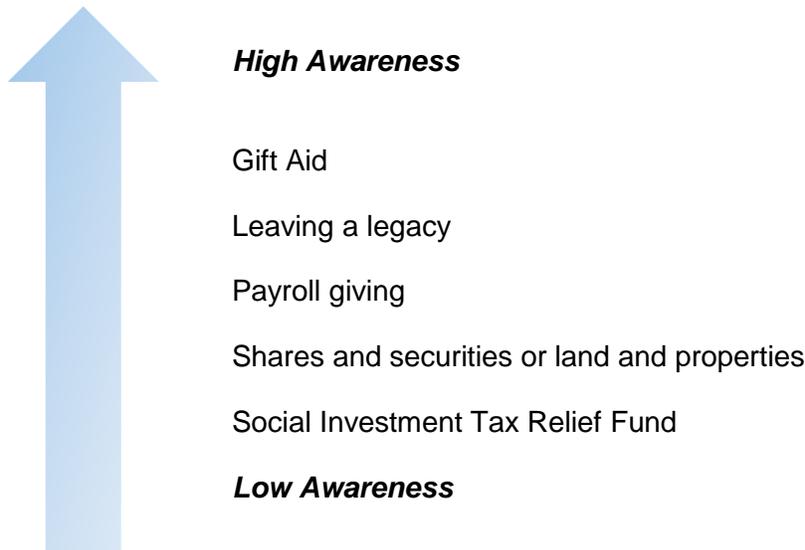
It should be noted that participants had been recruited on the basis that they had claimed tax relief via Gift Aid and this may explain the high awareness and understanding of this relief in comparison to others. Gift Aid was seen to be the easiest of the tax reliefs to claim as it is not a complex or cumbersome process;

"It's well thought out and simple for the giver; not over-bureaucratised."

Male, 45+, Income: £500K+, Donated: £100-£2k

Whilst participants were generally aware that legacy giving existed, they did not believe it to be particularly relevant to them at this stage in their lives; it was seen as a form of relief to consider for the future. There was some awareness of payroll giving and some had used it in the past and said it was convenient. Shares and securities or land and properties as a form of relief were not generally thought to be as straightforward as Gift Aid. As with leaving a legacy, some did see this as an option for the future but not necessarily as one for now. Most participants had not heard of the Social Investment Tax Relief Fund, probably due to its newness.

Figure 3.2: Awareness of tax reliefs



3.3 GIFT AID

As the sample was derived from those who had already claimed tax relief via Gift Aid, awareness of this method was high. Participants felt that awareness of Gift Aid had improved in recent years and some attributed this to charities communicating the scheme to donors more effectively.

“I think awareness of this has improved in recent years and charities are highlighting this.”

Male, under 45, Income: £200-£500k, Donated: £100-£2k

Further, some felt that the service had improved in recent years and had become simpler to understand. This was most strongly felt by participants who had used the previous covenant system⁷ which they felt was a more complex system and more difficult for the donor to claim tax reliefs.

"I think it seems relatively streamlined now, and it's better than the thing that they had before."

Male, 45+, Income: £500k+, Donated: £2k-£10k

However, although awareness of Gift Aid was high and some participants understood the relief system well, there was confusion among participants about how the system worked. Some understood it to the point of being able to say that some of the money goes to the charity and some goes back to the donor, but they were unable to quantify exactly what that was. Other participants were unsure if the charity could claim back anything at all and assumed that only the donor received tax relief. Further to this, some held the belief that tax reliefs were wholly at the discretion of the donor, meaning that the charity would only be able to claim relief if the donor ‘ticked the Gift Aid box’, otherwise all tax relief on the donation would be given to the donor.

“I know it exists but I am unclear on how it works. I assume if I don't tick the gift aid box then I can claim the entire tax relief.”

Male, Under 45, Income: £200-£500k, Donated: £100-£2k

The main area of confusion was about how tax reliefs were split between the charity and the donor. The splitting of the basic and marginal rate between the charity and the donor was not well understood which meant that participants were uncertain of what percentage relief they were actually claiming for. This confusion was compounded in some cases where participants were unsure about whether they paid the higher or additional tax rates. Experience of claiming tax relief through Gift Aid meant that participants were often roughly aware of how much they would receive for a certain donation but did not think about this in terms of tax rates.

The confusion around the tax reliefs available to charities and donors through Gift Aid did not seem to be clearly linked with participants' income or donation levels. Misconceptions about how much the donor received in tax relief were held even by those donating well over £10k per year.

⁷ Prior to 2000, the deed of covenant system allowed donors to claim marginal rate reliefs when they donated a fixed sum to a specific charity each year, for at least three years.

When participants were asked what they thought the purpose of Gift Aid was, two viewpoints emerged:

1. It's a way for the government to get me to donate.
2. It's a way for the government to donate.

The prevailing viewpoint among participants was that Gift Aid was simply a method for encouraging charitable giving. There was a strong feeling that through Gift Aid, the Government had created an expectation within society for individuals to donate and that higher rate reliefs provided an incentive for individuals to donate more.

“HMRC is not a benevolent organisation-why would they be? But this is an incentive for people to give more and I think it’s well intentioned.”

Male, under 45, Income: £500k+, Donated: £100-£2k

Further to this, some participants said that Gift Aid had increased their trust in charities. They believed that the process for becoming a registered charity participating in the Gift Aid scheme and assumptions that this would be continuously monitored meant that the Government had approved and endorsed charities. Participants felt that such charities must be credible and trustworthy and this increased their confidence in making donations to them.

Others viewed Gift Aid as a method for directing government funding to charities, which would ultimately reflect the priorities of the taxpayer. This would allow for the government to support a vast number of charities easily and this was viewed as a means for the participant to steer government donations.

“I’m rechanneling some tax if you like in a Robin Hood kind of way.”

Male, 45+, Income: £200-£500k, Donated: £2k-£10k

This viewpoint was a strong theme in the previous research but was less prevalent in this study. Participants in 2007 reported that Gift Aid allowed them to direct government resources to charities that they supported. Participants wanted control over their donations and they felt that Gift Aid gave them that.

3.4 LEGACIES

Awareness of legacies was high and some participants reported that they did already have one in place. Among those who did not, there was interest in setting one up in the future but they felt that this did not seem relevant to them at this stage in their life. The age of the participant did not seem to be a factor here, those early in their retirement years also felt that legacies were something for the future.

Participants reported two reasons for putting off leaving a legacy. The first reason was that participants with children, including young adult children, were reluctant to leave a legacy until they were sure that their children would be financial secure.

“Everything goes on my family as my children are young; this may change once they have been to university.”

Male, Under 45, Income: £200-£500k, Donated: £2k-£10k

The other reason was that they felt uncertain about their retirement and without being able to forecast what they could need to support themselves in the future, leaving a legacy did not seem like an immediate goal.

“It’s something I will perhaps decide on later on in life and will think about it, but at the moment it’s not something I have planned. It depends how much money I have in my retirement I suppose.”

Male, 45+, Income: £500k+, Donated: £100-£2k

Trying to achieve the balance between providing for their children but also helping charities was a point of contention when legacies were discussed. Participants spoke of their anxieties surrounding house prices, wages and job stability for their children. This coupled with the fear that they may face unexpected costs in retirement such as paying for expensive care meant that there was uncertainty about how much, if anything, would be available to leave as a legacy.

Although legacies were well understood by participants, the concerns they reported implied that they viewed legacies as being final rather than something that could be reviewed and amended in line with changing needs and circumstances.

3.5 PAYROLL GIVING

There was good awareness of payroll giving and some participants participated in this scheme either as an employer or an employee. Employees saw this as a convenient method for donating as once it was set up, they did not need to do anything else. Additionally, those who benefited from matched giving by their employer, discussed the added financial incentive this provided, likening this to employee pension schemes. Those who provided payroll giving as employers said that it was a good way for them to encourage charitable behaviour, and encourage those who might not otherwise donate regularly to do so.

“I thought that was really important thing for us to do as a firm. I think it encourages people to do something that they wouldn’t naturally do or those that are, marginally inclined towards it, it gives them an incentive to do it.”

Male, Under 45, Income: £500k+, Donated: £2k-£10k

Those using the scheme often seemed to direct payroll giving donations either to specific charities nominated by the company or into a Charities Aid Foundation (CAF)⁸

⁸ The Charities Aid Foundation runs an account scheme for donors which allows them to pay donation funds into an account which can then be used to make donations to charities

account for employees so that they could make a large lump sum donation to a charity of their choice at a later date.

3.6 SHARES AND SECURITIES, LAND AND PROPERTIES

There was fairly limited awareness and understanding of the availability of tax reliefs on donations of assets. Although some participants assumed that such reliefs would likely be available there was very little awareness of what these might be or how they would work.

Generally, participants did not really think that these types of reliefs were relevant to them as they did not have excess assets of these types which they could think about donating.

Those who did have shares or properties which they might consider donating to a charity assumed that the process for making these types of donations and claiming relief on them would be difficult and burdensome for both the donor and for the charity. This meant that they thought cash donations were much easier and straightforward for both parties.

“I would never give money in this way. Cash is far clearer and the charity would just convert the shares to cash. Giving in this way just causes admin problems.”

Male, 45+, Income: £100-£200k, Donated: £10k+

3.7 SOCIAL INVESTMENT TAX RELIEF FUND

There was very low awareness of the Social Investment Tax Relief Fund. The only participants who were aware of this scheme were those who worked specifically with charity financial accounts and even they reported that they had only recently heard of it and did not have a strong understanding of how it would work.

“It’s really new. It’s pretty much like crowd funding where you just pick something that sounds interesting. I only know because of my job - no one else will know about it.”

Male, 45+, Income: £100-£200k, Donated: £100-£2k

However, there was some interest in it as a concept and participants were open to hearing more about what it was and what opportunities it might create for them as a donor.

4 The impact of Gift Aid on charitable giving behaviour

Chapter Summary

- (i) Participants generally reported that tax reliefs had little impact on their decision to make a donation, it was not seen as a motivation in itself, but they did seem to have an impact on donation behaviour. Many said it was something they considered when making a donation and encouraged them to be more generous and in some cases, participants factored relief in precisely to maximise their donation amount. Even those who said that tax reliefs had no impact on them reported that they were conscious of claiming them when they could.
- (ii) Claiming reliefs was not really seen as being difficult, although there was some confusion about what types of donations tax relief could be claimed for. The main barrier to claiming reliefs was felt to be record keeping which was seen as burdensome and this seemed to have an impact on how consistently participants claimed relief. Those who did not claim for every donation said this was because they did not have, or did not want to spend, the time needed to keep appropriate records.
- (iii) Although tax reliefs were not felt to be a motivation to give, participants did place importance on their ability to claim them. While for many, they were simply seen as a bonus, others felt that they had an impact on charitable giving behaviour, either as a pure financial incentive to give, or because they created a wider expectation of charitable giving within society.

4.1 INTRODUCTION

This section discusses the role of tax reliefs in participants' decisions about charitable donations. It outlines their experiences of claiming reliefs, both personally and through an agent. Finally, it explores participants' views on tax reliefs and the level of importance they placed on them.

4.2 ROLE OF TAX RELIEFS AT THE POINT OF DONATION

Participants reported varying levels of consideration of tax reliefs at the point of donation from those who factored the amount they could claim into their donation to those who said they did not consider it at all at the point of donation.

Many participants said that tax reliefs had no impact on their decision making at the point of donation. This view was held by participants covering all types of charitable giving behaviour although those motivated by Identity factors particularly felt that tax reliefs had little influence on their donations. They said that the decision to make a donation and the amount they gave was not influenced by the knowledge that they would be able to claim relief at the end of the tax year.

“Whether 20% comes back to us doesn’t affect the fact that we give a number in the first place because that that’s what we believe at that time is the right thing to do and so we give it.”

Male, Under 45, Income: £100-£200k, Donated: £10k+

While these participants felt that they would donate the same amount regardless of reliefs, this did not mean that tax reliefs were of no importance to them. Perhaps the clearest demonstration of this was that these participants reported that they made donations on behalf of their partners who were basic rate taxpayers in order to qualify for tax reliefs.

“The only time when it becomes a factor is, when, for example, a friend of my wife’s doing a sponsored walk and we sponsored her £50, my wife will say well you, you write the cheque because then you get tax relief.”

Male, Under 45, Income: £200k-£500k, Donated: £2k-£10k

Further, there was evidence that tax reliefs influenced how a small number of participants donated and who they donated to. These participants reported that they did not make donations, for example, putting cash into collection tins as they would not be able to claim relief on this.

Participants who said they did consider reliefs when deciding how much to donate reported two ways of doing this. The first was being conscious that relief could be claimed when making the donation but not calculating precisely how much they would receive. These participants said that the knowledge that they could claim relief on the donation encouraged them to be more generous when deciding an amount than they may otherwise have been. For example, they may increase a donation from £80 to £100 as they knew they would be able to get some money back, but they did not calculate the exact relief they would get, it was more of a general feeling that they could afford to give a little more. This attitude was held by all types of participants but was more common among Responsive donors.

“It’s not something I figure out when I make a donation and it certainly isn’t the reason I would make a donation in the first place but sometime I will think ‘you can probably give a little more than that because you’re going to get some back later on.’”

Male, Over 45, Income: £500k+, Donated: £2k-£10k

The second type were those who factored relief precisely into their donation decision. These participants tended to have fairly specific circumstances. They were generally not working, normally retired, and so were living on fairly fixed incomes and were trying to donate as much as they could afford. Typically, they were Active Donors who placed high importance on their charitable behaviour and used tax reliefs to maximise their donations, in some cases to reach a donation target. They did this by calculating how much tax relief they would be able to claim on a specific donation and then considered how much they would be able to afford in light of this.

“Yes, it is always factored in, we give as much as we can so it’s vital that we think about the 20% we will get back at the end of the year.”

Male, 45+, Income: £100k-£200k, Donated: £10k+

As such, these participants were among the most knowledgeable about the Gift Aid system, understanding exactly what percentage relief they could claim. This approach to donations meant that they donated more than they could afford at the point of donation in the knowledge that they would receive money which they needed to maintain their lifestyle at the end of the year. This was the only form of re-donation (donating the money received in tax reliefs) identified in the study. No other participants reported donating their tax reliefs back to the charity in this way.

4.3 EXPERIENCES OF CLAIMING TAX RELIEFS

The study included both those who handled claims for tax reliefs themselves as well as those who used an agent to do this.

Participants who had personal experience of claiming tax reliefs through Self Assessment returns generally felt that the process was straightforward. However, some did say that they had not found it easy when they had first started to claim reliefs and reported that they had initially been confused about which figures they needed to enter in certain fields but now feel confident in how to complete the form.

It seemed that the main area of confusion was around what types of donations could be claimed for, for example, cash donations which they did not have records for, donations to international charities or money given to charities for which they had received something in return such as priority for booking tickets at an Opera House. These participants said that they had either looked up the rules online to clarify what they could claim for or simply did not claim for anything they were unsure of.

“When I was doing my own tax returns I never could get my head round what I could and couldn’t claim and in the end I thought well I shouldn’t, I’d err on the side of caution and not claim relief against something that I wasn’t sure it was the right thing.”

Male, Under 45, Income: £500k+, Donated: £2k-£10k

Participants who had never handled claims for tax reliefs personally were unsure of the process but assumed that it would be fairly straightforward. However, many of these participants, along with many of those who handled the claims themselves reported that the most burdensome aspect of claiming tax relief was keeping records of the donations. This was felt to be a problem by both those who kept good records throughout the year as well as those who waited until the end of the year to put their records together.

“Filling out the form is the easy part. All my accountant has to do is put the figures in, the problem is trying to figure out how much you’ve donated.”

Male, Under 45, Income: £200-£500k, Donated: £100-£2k

4.4 CONSISTENCY OF CLAIMING

The extent to which participants claimed tax reliefs on all donations was directly linked to the participants' record keeping behaviour. However participants were unable to say whether the desire to claim consistently encouraged good record keeping or the habit of good record-keeping encouraged claiming of reliefs.

Those who said they claimed tax relief on every single donation made each year tended to ensure that they kept a meticulous record of their donations throughout the year. They had a variety of methods for doing this such as spreadsheets and taking photos of donation confirmations which they kept in a folder or sent directly to their agent. These participants actively avoided making donations which they would not be able to claim relief for such as cash in street collection boxes. This approach was most common among Active donors who tended to make fewer, higher value donations.

“Yeah, I do consistently, so when I give, I usually give a cheque and I take a picture of the cheque and just send it to my accountant.”

Male, Under 45, Income: £500k+, Donated: £2k-£10k

However, there were some participants who took a less meticulous approach to record keeping meaning that they lacked documentation for some donations but they claimed for these anyway.. They described keeping records for most donations throughout the year but not all, particularly those of lower values. These participants handled the claim for tax reliefs themselves and said they would estimate the value of various donations they did not have records for and then reduce it slightly to ensure they did not over claim. They believed that if their claim was queried by HMRC then they would be able to go back through bank statements and emails to find evidence for donations but did not believe that this was likely to happen. These participants were more likely to be Responsive than Active donors who made greater numbers of smaller value donations.

“I know the main ones, they're easy to figure out as they're regular direct debits but all the other things you do throughout the year, I guess I just think well, that probably comes to £800 so I'll say £600 to be safe.”

Male, Under 45, Income: £100k-£200k, Donated: £100-£2k

There were also participants who had a similar approach to record keeping, in that they had records for most, but not all, donations but would not claim for anything they did not have a record for. They felt that while they could probably spend time going through bank records and emails to find evidence for donations, it would not really be worth their time. They would not consider claiming for something without a record in case they were audited by HMRC. These participants tended to be Responsive donors who made a large number of small donations throughout the year and also worked in an industry which meant they were aware of the potential personal and professional consequences of making an incorrect claim.

“In my profession I need to be whiter than white. Committing what essentially be seen as tax fraud for the sake of a couple of hundred pounds would be ridiculous.”

Male, Under 45, Income: £500k+, Donated: £2k-£10k

Finally, there were participants who only claimed tax relief on donations of high value and would not bother to claim for anything of a few hundred pounds or less. The principle reason for this was that they did not think that keeping track of every donation was worth their time and so they just focussed on higher value donations.

“Life’s too short to be maximising tax efficiency everywhere. I do this thing as a day job and I sometimes apply tax saving principles into my outside life, then other times I have to move on. I’ll be just like be I’m like a normal person, life is too short, I’ll been doing it all the time.”

Male, Over 45, Income: £500k+, Donated: £2k-£10k

4.5 IMPORTANCE OF TAX RELIEFS

When discussing the importance of tax reliefs overall, participants reported stronger feelings about their ability to claim them than they did when discussing the role of reliefs in individual donation decisions. Attitudes here broadly fell into two types; those who did not think tax reliefs were important to them, but still felt they were nice to have, and those who believed their donation behaviour would change if they could not claim reliefs.

Participants who felt that tax reliefs were unimportant to their charitable behaviour typically described them as a bonus, both to themselves and to the charities they supported. They tended to be Active donors primarily motivated by Identity or Outcomes who said that reliefs played no role in their individual donation decisions and felt that while tax reliefs were nice to have, they did not believe they were influenced by them.

“It’s an added bonus for me and the charity, and I think it’s the right thing for the country to do but I would donate anyway.”

Male, Under 45, Income: £100k-£200k, Donated: £10k+

Some of these participants reported that their primary concern was to ensure that the charities received as much as possible and said that they would be happy to not receive tax reliefs as long as the charity continued to do so. These tended to be Responsive donors who were not making high value donations and they tended to be motivated by Social Influences or Emotion when making donations. However, it should be noted here that while these participants said they placed no importance on claiming relief, they did claim reliefs and they did not report re-donating the money they received to charity when they did so.

Participants who said that tax reliefs influenced their donation behaviour said this was either because of the financial incentive they provided or because they felt that tax reliefs were important in principle as they encouraged donation behaviour.

Those who saw reliefs purely as a financial incentive said that they believed tax reliefs were an important aspect of their charitable giving and that they would be likely to give less to charity if they could no longer claim them. These participants tended to be motivated by Social Influences or Emotion and who said that they considered tax reliefs at the point of donation.

“And they’re incentivising individuals to donate, so in that respect it seems pretty fair. If I was a basic rate taxpayer, I probably wouldn’t donate.”

Male, Under 45, Income: £200k-£500k, Donated: £2k-10k

Participants who believed that tax reliefs encouraged charitable giving in society did not place importance on the amount they personally received in tax relief but felt that this was important for other donors who would likely donate less without them. These tended to be Active Donors, often motivated by Identity or Outcomes. They believed that tax reliefs were a way for the Government to create an expectation for people to give by providing a reward which reinforced the donor’s behaviour.

5 Tax relief preferences

Chapter Summary

- (i) There was little support for changing tax relief structures in the Gift Aid system. Participants felt that the current system was fair to both the donor and the charity and was simple to administer.
- (ii) Although some said they would be happy for charities to claim all tax relief on a donation, the prevailing view was that change could mean that charities would be worse off as donors may disproportionately reduce their donations in response.
- (iii) Participants were also against taking basic rate relief from the charity as they felt this would remove an important income source for them which the donor may not make up.
- (iv) Suggestions for making claiming tax reliefs easier centred on reducing the burden of record keeping for the donor by providing them with an online account or an app to make keeping track easier.
- (v) Suggestions for encouraging people to donate focussed on providing new or greater levels of reliefs for donations. Suggestions included introducing higher reliefs for large donations, including for basic rate tax payers, tax relief on time donated and tax reliefs on business donations. However, it should be noted that the final suggestion is already available.

5.1 INTRODUCTION

This section explores participants' attitudes and likely behaviours in response to possible changes to the Gift Aid system. It also outlines some suggestions made by participants about what might make claiming tax reliefs easier and what might encourage them to donate more.

5.2 VIEWS ON CURRENT STRUCTURE OF GIFT AID

Generally, participants were happy with the current structure of Gift Aid, allowing charities to claim the basic rate while higher and additional rate taxpayers claim the marginal rate. They felt that it was fair to split the relief between both parties and allowed charities extra revenue while providing a bonus or incentive to the donor. This view was held even by participants who had initially been unaware of how Gift Aid is structured and had held misconceptions about who benefited from tax relief on donations.

Participants also said that the current structure was probably the most administratively efficient way of structuring tax relief through Gift Aid. They thought that separating basic and marginal rates and made things easier for both charities and donors. This was because charities would only need to confirm that the donor was a UK taxpayer in order

to claim basic rate relief on all eligible donations without needing to know which tax rate the donor paid.

“Well it seems fair that both sides benefit although it seems a bit unfair that basic rate taxpayers don’t get a similar incentive...but I suppose it’s just about keeping it simple. To be honest, if you asked me to design the system from scratch then I’d probably end up with exactly what we have now.”

Male, Under 45, Income: £100-£200k, Donated: £100-£2k

For these reasons, many participants said that they saw no need for changing the system as the current structure benefits both donors and charities and was simple to understand and run. However, the discussions about the benefits of providing reliefs to donors did raise questions among some as to why basic rate taxpayers do not receive any tax reliefs through Gift Aid. There was a feeling that this was a little unfair and that if basic rate taxpayers did receive a tax incentive to donate through Gift Aid then they may donate more.

"I think it's brilliant. I hope the government doesn't touch it."

Female, Under 45, Income: £100k-£200k, Donated: £100-£2k

5.3 ATTITUDES AND LIKELY BEHAVIOURS TO CHANGES

Two possible changes to Gift Aid were discussed with participants in order to explore their views on these and how they might behave in response to them. The two changes were:

1. Allowing the charity to claim both the basic and marginal rate relief on donations.
2. Allowing higher or additional rate taxpayers to claim both the basic and marginal rate relief on donations.

Directing tax relief to charities

The idea of removing marginal rate tax reliefs for donors was not well received by participants. This included those who said that they were not motivated to donate by tax reliefs and did not place high importance on them. There were two main arguments put forward against this idea and these were shared by both Responsive and Active Donors.

The first was that allowing charities to claim marginal rate reliefs was perceived to be too complex for many charities to run. They did not see how the system could be easily changed to allow charities to know which tax rate a donor paid in order to claim the relief. They thought that if charities asked donors for this information at the point of donation then they may receive incorrect information, as the donor may not know which rate they paid or may fail to tell the charity, meaning that the relief would be uncollected.

“Practically I don’t know how you’d do that because there would be a real challenge to, how does a charity know what, who's giving what, who's a higher tax payer or not?”

Female, Over 45, Income: £500k+, Donated: £2k-£10k

The second argument against this idea was that removing marginal rate reliefs for donors may mean that people begin to donate less and this could leave charities worse off. Many participants said that they would be likely to reduce the amount they donated if they no longer received tax relief. This included those who said they were not motivated by tax reliefs but felt that if they exist then it is fair for both parties to benefit from them. This was felt to be particularly important to those who donated a high proportion of their income such as tithes.

“It’s not the reason I give, no, but if they were taken away then I would certainly need to think about whether I maintain the level of my donations.”

Male, Under 45, Income: £100k-£200k, Donated: £10k+

The key issue here, for many participants was whether a removal of marginal rate reliefs for donors would cause donors to reduce their donations disproportionately in response. They felt that if donors reduced their donations exactly by the value of the relief they would no longer claim then both charities and donors would be no worse off, however, they did not think that this is what would happen in many cases.

The argument here was that participants typically did not calculate relief when making a donation and, as discussed in section 3.3, lack of understanding about what they could claim would have meant that many could not have done this. Furthermore as tax reliefs are not presented as a separate total in a Self Assessment, participants were also often unaware of how much they received at the end of the year. However, they did have the knowledge that they would get something back, and this encouraged them to be generous. They worried that if they no longer had this encouragement then they may reduce individual donation levels disproportionately.

“When you’re aware of reliefs but not calculating donations based on them then there's a chance that this would have a negative behavioural impact for everyone – I could lose £500 in relief but end up donating £2k less. That’s no good for the charity.”

Male, Over 45, Income: £500k+, Donated: £10k+

Some participants went further and suggested that if they no longer received tax reliefs on their donations then they may stop donating altogether as they felt that they would no longer be incentivised to give. These were participants who said that they did consider reliefs at the point of donation and placed importance on the financial incentives which Gift Aid offered.

However, some participants said that they would be happy for the charity to receive all of the tax relief on their donations as the value would be more important to the charity than

it would be for them. These participants tended to be Responsive Donors who made a high number of smaller value donations throughout the year, typically not totalling more than five thousand pounds and they were not consistent in claiming relief on all of these.

“My view would always be the more that the charity can benefit the better actually. My simple premise would be if you’re in the mindset of giving money to charity, anything that can be done to maximise the cash in the hand at the charity is a good thing and I care less about my position.”

Male, Under 45, Income: £200k-£500k, Donated: £2k-£10k

Directing tax relief to donors

Although participants were clear about the importance of maintaining tax reliefs for donors, they did not agree with the idea of removing relief for charities as they felt it was fair that both sides benefit from relief. There was no support for removing any current sources of revenue for charities and participants felt that the basic rate relief was more important to charities than it would be for them.

Many participants suggested that they could simply donate more to ensure that the charity would not lose out on donations but there were concerns that this would not be done proportionately. Participants again raised the issue that they did not calculate the relief at the point of donation and so they may not know how much they would need to increase it by to ensure that the charity received the same amount without basic rate relief. This issue may mean that charities would be worse off overall.

“It would incline me to give a bit more. It’s not so scientific [as] to say, OK well...I give 25% more...Paying of tax and donating are so disconnected that it wouldn’t naturally translate.”

Male, Over 45, Income: £500k+, Donated: £2k-£10k

This suggestion also raised concerns about how donors would be perceived if they received all the tax relief on their donations. Indeed, there were perceptions that people like them were already being criticised by the media and politicians for benefiting from tax reliefs on donations. This had made them sensitive to any suggestion that they were unfairly benefiting financially from charitable donations.

5.4 SUGGESTIONS FOR MAKING CLAIMING RELIEF EASIER

Suggestions put forward by participants for making claiming marginal rate reliefs easier centred on helping donors to keep track of their donations throughout the year and reduce the burden of record keeping. The suggestions included:

1. **Gift Aid Account:** Donors could be given a Gift Aid Account and a PIN which they could provide for each donation. This would mean that when the donation was processed, the donors account would be automatically updated, meaning that a full record, in the correct format would be ready at the end of the year.

2. **Gift Aid App:** Donors could download an app which would allow them to keep track of their donations, including a function to store photos of donation receipts so that they would have the evidence they needed for their claim.

5.5 SUGGESTIONS FOR ENCOURAGING PEOPLE TO DONATE MORE

Participants also suggested several ways to encourage people to donate more to charity. These included:

1. **Higher rates of relief on large donations:** Donors who make a single donation over a certain amount could benefit from additional tax reliefs which would encourage people to make higher donations.
2. **Tax reliefs on time:** Provide a form of tax relief for those who give a certain amount of time to charities, particularly if they are providing professional skills such as managing a charity's financial accounts.
3. **Gift Aid relief for basic rate taxpayers:** Provide a tax incentive to basic rate tax payers within the Gift Aid system if they donate a certain amount to encourage higher donation levels.
4. **Tax reliefs for businesses:** Some participants said that they would like to make donations from the pre-tax profits of their business in order to make significant acts of charitable giving more appealing and manageable. However, it should be noted that this option is already available for businesses which suggests that these participants were not aware of the tax reliefs which were relevant to their circumstances.

6 Conclusion

Tax reliefs were not felt to be a reason to make a donation to charity. Participants' charitable behaviour was motivated by more personal factors such as who they were, who they knew and what they wanted to feel or to achieve by making a donation. These motivations directly influenced the types of charities which participants supported as well as how much they gave.

The role and importance of tax reliefs in participants' charitable giving behaviour was complex. Although participants did not identify tax reliefs as a motivation to donate to charity and were also often reluctant to place importance on the role of reliefs in individual donation decisions, they clearly were important to charitable behaviour. The importance of claiming relief was not so much about the actual amount which the donor received, but more about the principles of encouraging charitable giving.

Gift Aid was seen as scheme which had successfully created an expectation within society that people and better-off individuals specifically, should donate to charity. By gaining registered charity status and by participating in Gift Aid, charities were seen to be government approved, which made them credible and trustworthy, which provided reassurance about making donations.

Tax reliefs within Gift Aid were seen not only to provide an important source of income for charities themselves but also encourage better-off individuals to donate. Participants saw these reliefs as a signal from the Government that charitable giving was desirable and to be encouraged and they were positive about this idea.

At an individual level, marginal rate reliefs were seen as an effective way to encourage donors to donate more to charity. The extent of this impact varied between participants but generally it seemed that the knowledge of the tax relief which the donor could later claim was considered at the point of donations and that this prompted participants to be more generous in the amount they gave.

The process for claiming tax reliefs through Gift Aid was not felt to be difficult but keeping records of donations made throughout the year was felt to be burdensome. Suggestions made by participants for improving the system focussed on making record keeping easier, for example by providing an online account or app which would allow donors to record donations and store documentation throughout the year.

As the current structure of Gift Aid was felt to be simple and effective, there was little support for making changes to it. Participants felt that allowing both the charity and the donor to benefit from tax reliefs was fair and most would not support changes which would remove tax reliefs for either party.

Essentially, the main concern held by participants held was about maintaining current levels of revenue for charities. Although directing all tax reliefs to charities may be intended to increase the amounts which charities received many participants were sceptical about this. They were worried that if donors no longer received tax relief on donations then they may cut back on the number of donations they made, reduce the level of their donations disproportionately or stop donating altogether, meaning that charities could be worse off.

7 Appendix A – Discussion Guide

HMRC – Charitable Giving Behaviour

Discussion Guide_FINAL_09.02.15

Objectives:

This study aims to understand the reasons better off individuals donate to charities, and the impact of Gift Aid and tax reliefs for charitable giving on their donor behaviour.

Key research questions:

- To understand motivations for charitable donations and use of tax reliefs;
- To understand existing tax relief behaviour; and,
- To explore tax relief preferences

A total of 30 face-to-face interviews will be conducted by Ipsos MORI Research Managers and Directors. The incentive will be a £75 donation to the individual participants' chosen charity.

Notes	Guide Sections	Guide Timings
1. Introductions and background	Sets the scene, reassures participants about the interview, confidentiality. Discuss the general work and life circumstances of the participant which provides useful background.	5
2.Charitable giving behaviour	Grounds the discussion and explores some general issues, such as how and why participants currently give to charity, and what influences their decision to select their chosen charity.	15
3. Awareness of tax efficient giving	Explores how aware participants are of the current tax relief system and if they take advantage of this	10
4. Impact of tax efficient giving	Examines the extent to which tax efficient giving has influenced donor behaviour.	15
5. Tax relief preferences	Explores where the participant believes tax reliefs should be directed and the effect of changes within the tax relief system.	10
6. Conclusions	Identifies key messages and sums up.	5

Timings	1. Introduction and Background	Notes and Prompts
5mins	<p><u>Welcome and introduction</u></p> <ul style="list-style-type: none"> - Thank participant for taking part. - Introduce self, Ipsos MORI. - Emphasise that we will be talking about their experiences of, and views on charitable giving and the tax relief system. - Confidentiality: reassure that all responses are anonymous and that information that can be linked back to individuals will not be passed on to anyone, including back to HMRC or any other Government Department. - Explain outline of the research. - Role of Ipsos MORI – independent research organisation (i.e. independent of GOVERNMENT), gather all opinions: all opinions valid. Remind that there are no right or wrong answers. Commissioned by HMRC to conduct the research. - Get permission to digitally record – transcribe for quotes, no detailed attribution. <p><u>Personal Background</u></p> <p>I'd like to start by learning a little about you.</p> <ul style="list-style-type: none"> - Can you just tell me a bit about yourself? - Who do you live with? - What do you do for a living? N.B. ask about self-employment too, and area of business. 	<p>Welcome: orientates participant, gets them prepared to take part in the interview.</p> <p>Outlines the 'rules' of the interview (including those we are required to tell them about under MRS and Data Protection Act guidelines).</p> <ul style="list-style-type: none"> ▪ ▪ <p>Gets the participant talking and helps them understand the conversational style of the interview and to provide useful information to set interview in context</p>

Timings	2. Charitable Giving Behaviour	Notes and Prompts
15 mins	<p>I'd like to ask you about your experience of giving to charity</p> <p>What is it that makes you give to charity?</p> <ul style="list-style-type: none"> - What motivates you to give to charity? Probe on family/friends influence/specific causes etc <p>And what do you tend to give?</p> <ul style="list-style-type: none"> - Money/ properties/. Shares or other assets, time or both? Why do you give in this way? - How do you feel when you donate? 	<p>This section explores individual relationships to specific charities; who they give to, why they give, how they give and what motivates them to give</p>

	<p>Could you tell me which charities you have made donations to over the past two years?</p> <ul style="list-style-type: none"> - Do you give to charitable foundations or give direct donations to larger established charities? Are they national or local? - Do you tend to plan those donations in advance? - Do you regularly donate to that charity? <p>What did you donate to the charities?</p> <ul style="list-style-type: none"> - Money, land, shares, time etc - Why do you donate in this way? - (if they donate in various ways) Is one form of donation more valuable than another? Why is that? Probe on value to them vs value to the charity. <p><i>FOR EACH CHARITY MENTIONED:</i></p> <p>Why did you decide to donate to that cause/those causes?</p> <ul style="list-style-type: none"> - What were the reasons for giving to that charity in particular? - Did the charity seek you out/did you approach them? - How often do you give to them? <p>How would you describe your relationship with this particular charity?</p> <ul style="list-style-type: none"> - Did you have a relationship with the charity prior to donating? - Are you connected to that charity through friends/family/neighbourhood/ religion? - How much do you know about what the charity does? - Does the charity undertake particular activities to get you involved? <p>What expectations did you have about how your donation would be used?</p> <ul style="list-style-type: none"> - Did you make a restricted or unrestricted donation? - How much control did you have over how your donation was used? How important is this to you? - Were you informed by the charity about where your donation would go directly? - How important is it that you know where your money goes? - What influence does this have on your decision to donate or how much you give? 	<p>Try to gauge whether they always planned to donate to that particular charity, or if they gave in response to an appeal, or being asked by a friend, social influences etc.</p> <p>Restricted donations are made for a specific purpose and cannot be used for anything else.</p>
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	<p>economic downturn (2008)? How? Has it increased or decreased?</p> <ul style="list-style-type: none"> - What are the reasons for this change? Probe around amount of money or resources they have available and their own financial security as well as their feelings towards donations e.g. charities being more in need <p>How would you describe your approach to donating to charity?</p> <p>Probe on whether this is planned, spontaneous or differs depending on the charity</p>	<p>area of interest</p>
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Timings	3. Awareness of tax-efficient giving	Notes and Prompts
<p>10 mins</p>	<p>Now I'd like to spend some time discussing your knowledge of and approach to tax.</p> <p>In general, how well would you say you understand the UK tax system?</p> <ul style="list-style-type: none"> - Do you manage your own tax affairs or does someone else do it on your behalf? <p>Are you aware of any ways of giving to charity that are tax efficient/advantageous?</p> <ul style="list-style-type: none"> - Probe for claiming back tax at the end of the year (on Gift-Aided donations), Gift Aid on donations, Payroll Giving, Gifts in Shares and Securities, Gifts in Land and Buildings, - Probe for whether they have heard of the Social Investment Tax Relief Fund (this will give individuals who invest in qualifying social organisations a reduction of 30% of that investment in their income tax bill). - Probe for leaving a legacy (Inheritance tax is reduced if 10%+ is left to a charity) <p>ALLOW SPONTANEOUS MENTIONS OF INCENTIVES:</p> <ul style="list-style-type: none"> - Can you tell me a bit about that? - How does it work? <i>Probe on what they understand the process to be.</i> - Have you personally donated to charity this way? - Why/ why not? <i>Probe on whether they found out about this through friends, family, agent etc;</i> <p>Can you remember how you first heard about it?</p> <ul style="list-style-type: none"> - Probe for charities themselves, other donors (e.g. at charity events – slightly different than friends or relatives), HMRC (including website), financial 	<p>Try to establish if the participant is aware of available tax incentives and the extent of their knowledge</p> <p>Cover each incentive. As necessary, summarise each incentive not spontaneously mentioned and probe for recollection.</p> <p>Gift Aid - a scheme enabling registered charities to reclaim tax on a donation made by a UK taxpayer, effectively increasing the amount of the donation. The charity can reclaim basic rate tax paid on that donation. This means that a £10 donation with Gift Aid is worth £12.50 to the recipient charity.</p> <p>For higher rate</p>

	<p>advisor, employer, friends, relatives, television, newspapers, internet.</p> <ul style="list-style-type: none"> - Do you have someone you go to for financial advice? <i>Probe for accountant/tax advisor or unofficial advisor</i> 	<p>earners: Higher rate and additional rate taxpayers can reclaim the difference between their marginal rate of tax and the basic rate of tax.</p> <p>Payroll Giving - a tax free way for UK taxpayers to give money to UK Registered Charities through their salary. Donations are free of income tax at the point when the donation is made.</p> <p>Gifts in shares and securities – eliminating capital gains tax on shares which have appreciated. (individuals and companies have been able to get tax relief at their marginal rate on unlimited gifts or sales at under-value to charities of listed shares (excluding a company's own shares), securities and other investments.)</p> <p>Gifts in land and buildings – donor does not have to pay tax on any land or building that they donate to charity.</p>
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Timings	4. Impact of tax efficient giving	Notes and Prompts
15 mins	<p>What do you think about Gift Aid?</p> <ul style="list-style-type: none"> - Does it play any part in whether you donate or how much you donate? - Do you factor Gift Aid in when you decide how much money you wish to donate? Is it part of the donation total, or is it separate from the donation completely? <p>In general are you conscious of claiming tax relief when possible?</p> <ul style="list-style-type: none"> - If you claim tax reliefs how do you go about doing so? Probe on whether they do it themselves or through an agent. <p>Thinking again about the donations we discussed, can you tell me if you used specific methods to claim tax relief on any of these? For example did you use gift aid?</p> <ul style="list-style-type: none"> - For all of them or just some? Which ones? Why was this? - Were there particular differences between the donations you claimed gift aid for and those you did not? Did it differ in size from year to year? Probe on whether this was affected by salary, recession, bonus etc - Why did you choose to use gift aid in particular? - Probe around gift aid as 'added bonus' to the charity, donation level, the charity, the way the donation was made, the timing of the donation, memory of donations or paperwork. <p>How did you come to the decision to claim tax relief?</p> <ul style="list-style-type: none"> - Was this based on someone else's advice? Probe on whether this was through an agent, financial advisor or friend etc. - When did you decide to do this? Probe on whether this was before/after the donation. - Were there any other factors that influenced this decision? Probe on time/convenience etc. <p>How did you handle claiming tax relief on your donation?</p> <ul style="list-style-type: none"> - Were you responsible for this or did someone claim on your behalf? Probe on whether an agent did this. - Did the charity assist you with this? How? - If you claimed this without any assistance, how easy/difficult was it? - How did claiming tax relief work in practise? 	<p>Try to understand how and if claiming tax relief influences the donor. Alongside this, establish what method was used to and if this decision was made and handled by a second party</p>

	<p>What impact, if any, has being able to donate in a tax-efficient way had on your giving to charity?</p> <ul style="list-style-type: none"> - Has this had an impact on the amount you donate? - Has this impacted the frequency with which you donate? - Has it made giving easier/more difficult? - Has it altered the charities that you donate to? Probe on whether some charities are easier/harder to donate to. <p>How important is being able to claim tax relief on donations to you?</p> <ul style="list-style-type: none"> - Why is this? - If there were no tax incentives would this have affected your giving to charity? - To what extent would it have changed? - Would it have affected the level with which you gave? - Would it have affected how often you gave? 	
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Timings	5. Tax relief preferences	Notes and Prompts
10 mins	<p>What do you think about the current tax relief available for charitable donations?</p> <ul style="list-style-type: none"> - Do you have any specific preferences regarding where tax reliefs should go? - Who do you think should benefit from the reliefs? - Should the charity receive all of it? Or would it be more appropriate for the donor to receive it all? - Do you currently or have you ever 're--donated' your tax relief to charity? <p>If tax relief were to be at your discretion, what effect would it have on:</p> <ul style="list-style-type: none"> - The frequency with which you donate - The amount you donate - When you donate - The number of charities you donate to <p>Have any previous changes in tax rates or tax relief affected how much you donate?</p> <ul style="list-style-type: none"> - Probe, for example in 2010/11 there was the introduction of a 50% additional rate of tax, which was subsequently reduced to 45% in 2013/14. - Did the Social Investment Tax Relief Fund have an 	<p>Uncover whether having greater responsibility over where tax reliefs are directed to would be viewed positively or negatively.</p> <p>The Social Investment Tax Relief Fund is designed to support charities and social enterprises in accessing certain debt and equity finance from individual investors by offering 30% income tax relief. It is available for investments made on or after 6 April</p>

	<p>impact?</p> <ul style="list-style-type: none"> - Have you been influenced by the government led match funding scheme? Are you inclined to give more/less as a result? <p>Would you consider giving to charity using (any of the other) tax efficient methods in the future?</p> <ul style="list-style-type: none"> - Why is this the case? - What would they be? <p>Are there any tax incentives which aren't currently in place that would encourage you to give more to charity or to give to charity more regularly?</p> <ul style="list-style-type: none"> - IF YES: What would they be? - How would they work? - How much more would they encourage you to give? <p>If there was a higher rate of gift aid on your donation, or if tax reliefs were to increase would this affect your giving behaviour in terms of:</p> <ul style="list-style-type: none"> - The amount you donate. Probe for whether donors would give more or if donations would stay the same/decrease if there were additional tax reliefs. - Who you donate to. Probe for whether donors would consider giving to other charities or whether they would continue to donate to the ones they are familiar with. - Whether you would continue to donate or not <p>If there were lower rates of gift aid, or tax reliefs decreased, would this affect your giving?</p> <ul style="list-style-type: none"> - Would you 'top up' your donations so that the charity would still get the same level of donation? - Alternatively, would you give less or consider stopping your donations altogether? Probe on whether not being tax efficient would have an impact. - How would you feel if the higher rate tax relief from donations went directly to the charity rather than yourself? Probe on whether this would change giving behaviour. <p>Is there anything else that might make it easier for you to give to charity?</p>	<p>2014</p> <p>The Match Funding Scheme differs from case to case, but the general principle is that an individual's donation to a local charity will be matched by the government. Gift Aid can also be claimed on this donation.</p> <p>Establish if increasing GiftAid decreases the amount donors are inclined to give due to excess being given to the charity, or if increased reliefs may make donors give more, as they feel they will get more back</p>
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Timings	Conclusions	Notes and Prompts
5 mins	<p>To conclude, can you summarise for me what you think about the current package of tax incentives for charitable giving as a whole?</p> <p>Prompt where necessary:</p> <p>Have tax incentives had any other impacts on your giving to charity that we haven't talked about today?</p> <p>Thank participant; explain the next steps (e.g. what HMRC will do with the findings).</p> <p>Confirm the name of the charity they would like us to make a £75 donation to on their behalf.</p> <p>THANK AND CLOSE. Reassure about confidentiality</p>	Identifies the key findings and any other issues.

