



# Policy statement

## Payroll giving

### Introduction

Payroll giving is the scheme that allows people to give money to charities through their salary. Donations are made before tax is deducted so it costs donors less to give. For example, a £10 donation would cost a standard rate taxpayer only £8.

Payroll giving is an important income source for charities like the BHF. In 2010/11, we received £671,000 in donations via the scheme. It was worth £114m for the sector in 2010/11 and is used by over 700,000 people.

The current system does not allow for payroll giving requests to be carried over when there is a change of employer, despite the fact that there is no reason to believe that the donor has changed their wishes. A 2007 report found that if people were able to take their payroll giving donations with them when they change job this could mean additional income for charities of between £6,592,880 - £7,565,600<sup>1</sup>.

### Policy statement

The BHF would like to see payroll giving embedded within the Income tax and National Insurance system. This would allow individuals to make donations to their chosen charity directly from their salary without relying on employers participating in the scheme.

In the more immediate term, the scheme should be reformed to allow for existing declarations to be transferred to a new participating employer when people change job. There is no reason to assume that a change of workplace, in and of itself, means that donors no longer wish to give to their chosen charity.

Recent changes to the way that taxation records are held make this a simple measure to implement, requiring co-ordination between participating employers, HM Revenue and Customs and payroll giving agencies.

Facilitating portable payroll giving would better respect the wishes of payroll giving scheme users. It could also have the potential to increase the number of employers who are signed up to the scheme. It will be important to communicate any changes to the scheme to current and new users.

<sup>1</sup> CCWorks Ltd/Institute of Fundraising (2007) A report to support the proposal for portability of payroll giving <http://www.institute-of-fundraising.org.uk/Resources/Institute%20of%20Fundraising/Documents/PDF/Portability%20Report.pdf>

## Background

Payroll giving is a scheme that allows employees to give to charities direct through their salary. The money is deducted before tax meaning that its costs donors less to give. Donors are able to easily opt in and out of the scheme and make changes to the organisations they support at any time.

The scheme was worth £114m for the sector in 2010/11 and is used by over 700,000 people<sup>2</sup>. In 2009/10 payroll giving accounted for around 1% of all charitable donations in the UK, with a median amount given of £5<sup>3</sup>. It is used by 3% of all donors<sup>4</sup> and 40% of the people who use the scheme do not donate to charity in any other way<sup>5</sup>.

The BHF is in the top 10 charities using payroll giving. In 2010/11 we received £671,000 of donations through the scheme from 8,800 donors. We recruit around 1800 new donors each year but in 2010/11 we lost 18% of donors for a variety of reasons, including people changing jobs. The requirement for people to register again for payroll giving when they change employers cost charities £71million in lost donations between 1999 and 2007<sup>6</sup>.

The scheme is administered for employers by payroll giving agencies and organisations wishing to join the scheme must contact one of these authorised agents to set it up<sup>7</sup>. It is run through PAYE (pay as you earn), the system that HM Revenue & Customs uses to collect Income Tax and National Insurance contributions from employees' pay as they earn it.

## ***A reformed system***

The current system does not allow for payroll giving requests to be carried over when there is a change of employer, despite the fact that there is no reason to believe that the donor has changed their wishes.

The BHF is proposing a new system which would mean that once a donor has made a payroll giving declaration, this is automatically transferred to any new employer who is participating in the scheme. Existing donors would need to be advised of any changes and new donors would need to be made aware that they were making an enduring declaration. The model is illustrated overleaf.

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<sup>2</sup> Payroll Giving Centre facts and figures <http://www.payrollgivingcentre.org.uk/facts%20figures.htm>

<sup>3</sup> NCVO/CAF (2010) UK Giving 2010

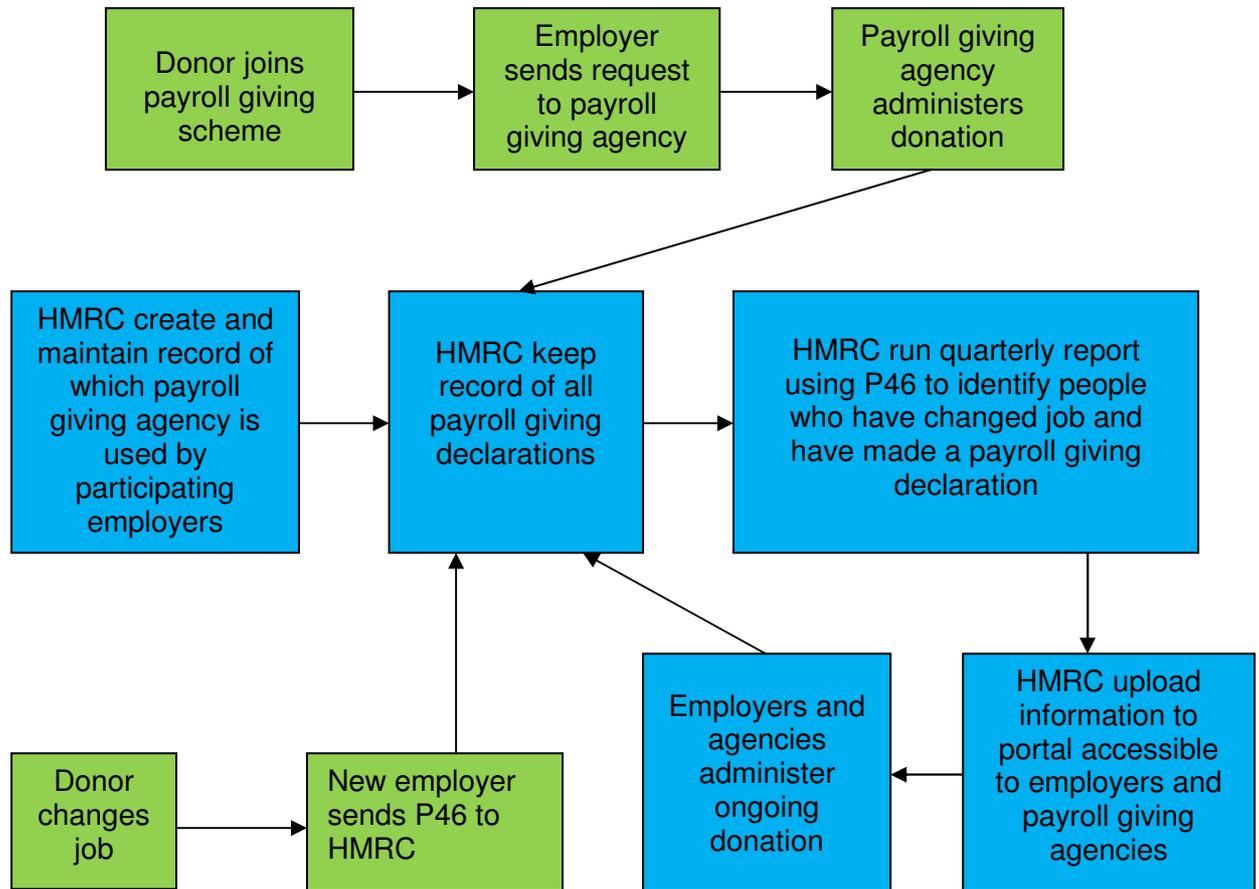
<sup>4</sup> Public Administration Select Committee (2011) Written evidence submitted by Charities Aid Foundation <http://www.publications.parliament.uk/pa/cm201011/cmselect/cmpubadm/writew/716/716.pdf>

<sup>5</sup> Strategy complete (2008) Review of payroll giving

<sup>6</sup> Cabinet Office (2011) Giving White Paper <http://www.cabinetoffice.gov.uk/sites/default/files/resources/giving-white-paper2.pdf>

<sup>7</sup> CFDG (2008) Tax effective giving made simple

<http://www.cfdg.org.uk/~media/Document%20library/13%20Income-Generation-Fundraising/01%20Donations/Tax%20Effective%20Giving%20%20Made%20Simple%20Guide%20No%209%200809KSI0001.ashx>



The green parts of the model above already happen and the blue parts of the model need to be put in place to successfully enable portable payroll giving. HM Revenue and Customs would therefore need to create and administer a list of all current payroll giving declarations. While this would require a small investment in the short term, in the longer term this would pay dividends in terms of increasing giving.

It also has the potential to bring more employers into the scheme if there were a built-in prompt for payroll giving agencies to get in touch with any new employers of existing donors who are not members of the scheme. Currently take up of the scheme is concentrated amongst larger employers<sup>8</sup> and this might be addressed if more employers knew about the scheme, or knew that their employees wanted to use it.

<sup>8</sup> CCWorks Ltd/Institute of Fundraising (2007) A report to support the proposal for portability of payroll giving <http://www.institute-of-fundraising.org.uk/Resources/Institute%20of%20Fundraising/Documents/PDF/Portability%20Report.pdf>

## ***Calls for reform***

In January 2011, the House of Commons Public Administration Select Committee held an inquiry on the funding of the voluntary sector. In their written evidence, the Charities Aid Foundation called on the UK Government to look for ways to encourage more employers to sign up to the scheme. Suggestions included consideration of an 'opt out' or automatic enrolment scheme for all employers and exploring national insurance relief for employers and employees. The Charities Aid Foundation is the UK's largest payroll giving agency<sup>9</sup>.

In 2007, the Institute of Fundraising commissioned a review of payroll giving. It examined the potential to make payroll giving portable between employers and found that between 61% and 70% of lapsed payroll giving donors are currently potentially portable. Therefore between 47,092 and 54,040 donors are portable based on 06/07 figures, representing additional income for charities of between £6,592,880 - £7,565,600<sup>10</sup>.

## ***The policy context***

In May 2011, the Cabinet Office published the Giving White Paper, recognising the importance that the Government places on gifts of time and money to the sustainability of the voluntary sector<sup>11</sup>. The white paper acknowledged that payroll giving 'goes with the grain' of people's lives and committed to running a year-long campaign to raise the profile of the scheme. It also recognised that there should be a mechanism to transfer donations between employers and committed to working with payroll giving agencies to make progress on this issue.

The paper contained a number of other measures to help promote giving, including adding default donations to card payments, reducing inheritance tax on legacies and reducing paperwork for charities with online filing for Gift Aid donations.

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<sup>9</sup> Public Administration Select Committee (2011) Written evidence submitted by Charities Aid Foundation <http://www.publications.parliament.uk/pa/cm201011/cmselect/cmpubadm/writew/716/716.pdf>

<sup>10</sup> CCWorks Ltd/Institute of Fundraising (2007) A report to support the proposal for portability of payroll giving <http://www.institute-of-fundraising.org.uk/Resources/Institute%20of%20Fundraising/Documents/PDF/Portability%20Report.pdf>

<sup>11</sup> Cabinet Office (2011) Giving White Paper <http://www.cabinetoffice.gov.uk/sites/default/files/resources/giving-white-paper2.pdf>