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MONEY BOX LIVE

Presenter: PAUL LEWIS

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LEWIS: Hello. If you're out shopping at this time of year, you can't avoid people shaking tins or (more often) plastic buckets nowadays, asking for money for one charity or another. It's also the time when many people decide to add their favourite charity to their Christmas list. So today Money Box Live is taking your questions about giving to charity. Despite the boost expected at Christmas, Britain's charities are feeling the credit crunch. The Charities Aid Foundation says donations were down last tax year by £1.3 billion - that's 11% - and that the typical amount given by individuals has fallen by £12 a year. It's not only donations that have been hit by the economic crisis. Many charities make money from investments, and that's been badly affected too. A lot of that would be made up if everyone who could used Gift Aid. If you're a UK taxpayer, every £10 you give can be boosted by £2.80 if you make the Gift Aid declaration. If every penny given by individuals was paid through Gift Aid, charities would benefit by an estimated £750 million a year. There are other ways to boost your charitable giving. How does payroll giving work? How can you give shares or valuables to charity? And what about leaving money in a will? How easy is it to achieve what you want? And if you are going to give a substantial sum to charity, how do you find the one to suit you and how can you check just how much of each pound you give is actually doing the work you want? Well whatever your question, you can call Money Box Live now: 03700 100 444. With me today to answer your questions: John Low, Chief Executive of Charities Aid Foundation, which supports charities and their work; Clive Cutbill is consultant to the lawyers Withers who specialise in charity law; and Les Hems was a founder of the charity information

organisation GuideStar UK, and is now a Director of Research at the Centre for Social Impact in Australia. But he's with us here in the studio. And the first question to be answered is from Collin in Somerset. Colin, your question?

COLIN: Oh good afternoon. How do you do?

LEWIS: Yes hello, Colin. What's your question?

COLIN: Well with the great deal of bumph and information that comes through the mail from charities, there's a tremendous amount of reading within that material but nowhere, nowhere does it give any information about what their expenses are or actually how much of each pound is donated to the actual charity. Now I know when my council tax comes out and various insurance people, they give a little diagram or a symbol of a pound coin or something and it's all split up into wages and costs and things, and there's a little bit down for expenses and what have you.

LEWIS: So you want to know how you find out?

COLIN: Well yeah, I feel that when I used to collect for the poppy day, as an individual collector I had a little card telling me exactly this.

LEWIS: Right. Okay, well let's find out what people here have to say. John Low from the Charities Aid Foundation. You don't represent charities, but you help a lot of charities. How can people find out where their money's going?

LOW: Well the safest way is to go to the Charity Commission website because there you have the official accounts from the charity and you can see how much money has gone into the charitable activities of the organisation, how much is spent on administration and so on. There you'll get the definitive answer to the question.

LEWIS: Right. And Les Helms, your ex-organisation, the one you founded, Guidestar, you can actually go on that website and find out quite easily?

HEMS: Yes, indeed, and it presents a similar set of information to the Charity Commission except it provides information on *all* charities. Currently there are about 80,000 charities with incomes over £10,000 per annum, and you can actually find out a detailed breakdown of their finances on that website.

LEWIS: And what's a reasonable amount to spend on administration? We have had a few emails about this, I must say - people saying that charities spend far too much on administration. What's a reasonable proportion?

HEMS: It obviously varies by size of organisation and also by the activities they're involved in, but I think a study a few years ago suggested that around 10% was a figure for fundraising costs and the basic admin.

LEWIS: People think that's quite a lot, don't they? We had one email about Children in Need, the BBC's charity. Now they spend about 2 million odd pounds I think on administration, various things, raising money - but then they have 40 million, so that's only 5%. Clive Cutbill, one of the things I've noticed when I've looked at that is something called compliance. What do charities have to comply with?

CUTBILL: Well these days, they have to file an enormous number of reports with the Charity Commission on an annual basis. They have to file accounts to Companies House as well if they're corporate, so there is actually quite a lot of cost involved nowadays.

LEWIS: And, John Low, do you think it's a fair point that Colin makes that what people would like is a little pie chart, a pound coin if you like, just saying well this much on fund raising, this much on boring old admin that we all really have to do, and then a nice big chunk of the pie going to the good cause you're supporting?

LOW: Well that's a good idea if it can be made to work. The problem is that not all charities are the same. Some of the best charities are very unpopular because they're doing things with groups of people that are not popular in the country, and they have to work very hard to raise the money and to make their money go further. So it's hard to compare apples and oranges.

LEWIS: Yes, so unpopular and maybe smaller charities spend a bigger proportion raising money than something like Children in Need or Oxfam or one of the very big charities.

LOW: Indeed.

LEWIS: Anyway it's a good point, Colin, and I'm sure lots of people have thought of that.. The links to various sources of information are on our website, which is bbc.co.uk/moneybox, and go to the programme page for this programme and you'll get lots of information there. We're going onto Janet now who's calling from Devon. Janet, your question?

JANET: I come from Totnes in Devon, a lovely little medieval town, and a lot of very nice young people waylay me and ask me to join a charity and sign up. I did this about 18 months or 2 years ago - I joined Greenpeace and Medicins Sans Frontieres. I received a leaflet from both organisations and a monthly letter, so I thought all was well. My bank account was debited and I thought it's putting me in touch with all these charities, reminding me, and it's also putting the young people in touch with where they could help in the world.

LEWIS: So you were pleased at that stage?

JANET: Very, very good, yes. But then I read an article saying that actually - this ties in with the previous question - a lot of the admin that has to be done and the salaries and the setting up, it was about ten and a half months before the charity would actually receive any of my money. So I was rather upset by this. I don't know if things have changed, but this question wasn't asked earlier on and I would like to know, please.

LEWIS: Right.

JANET: I now actually just go and support charities, local ones like Animals in Distress or our local hospice, Rowcroft, or the Fox Welfare Society because they help directly and don't have all these overheads.

LEWIS: No, but I'm sure they have paid staff, which have to be paid at some point. And I'm

sure they have to file their accounts as well, so there is some admin with almost any charitable organisation. John Low, people who get you in the street, charity muggers - chuggers, as they're sometimes called, who accost all of us when we walk around the high street - why do they get all our money for nearly a year?

LOW: Because we've got to pay for these people to be out on the streets doing the job. All fund raising costs money. If you think about the amount of direct mail or junk mail that you get that goes in the bin, every one of those costs money. And in fact raising funds in the street is the best way to get many people engaged with charities. And, sure, the first 10 months goes on the cost of the recruitment of the donor in the jargon ...

LEWIS: You mean paying the people who accost you in the street?

LOW: Absolutely. They need to earn a living, don't they?

LEWIS: Of course.

LOW: But after that, it's a great way to give to charity because you're giving regularly every month and there is no ongoing cost almost.

LEWIS: And how long do people last? The first ten and a half months we've heard or nearly a year goes straight to the company doing the charity fund raising on the street. How long does that person on average last with the charity?

LOW: Well normally 5 years. The average is around 5 years. But if the charity is good at engaging with the donor, that donor will stay for a very long time. And if they give the donor good information, sometimes they raise the amount they give.

LEWIS: And you mention engaging with the donor. And I'll just, before we leave Janet, I'll just bring in an email here. This is from Andrew who said, 'I'd like to give to a specific charity.' This is Shelter. His wife's given to Oxfam, he says. But she got so much junk mail from them, it's put them off. Les, is this a problem? I mean John talked about engaging with

people, but in fact very often we don't want loads of junk mail. We want them to spend the money on solving poverty or helping animals or whatever it is they do.

HEMS: One of the advantages of actually being stopped in the street and engaging with one of these chuggers is part of the engagement process, you can actually say what type of engagement you want. If you want a regular newsletter or if you just want to have the money taken out of your bank account each month and then not hear anymore, then that's a real opportunity for you to actually say how you want to engage.

LEWIS: So they'll actually ask you that ...

HEMS: Absolutely.

LEWIS: ... because that's another point Andrew makes in this email. He says, 'I want to launder my identity, so I don't get harassed.' . But can you generally just say here's your money, but please don't send me anything. I really will give you more money in another year?

HEMS: That's one of the advantages of the face-to-face fund raising approach.

LEWIS: And does that work normally with charities? I mean Clive Cutbill, do charities have an obligation to not send you stuff if you don't want them to?

CUTBILL: Absolutely. The Data Protection Act has raised strict rules in terms of the way in which they handle your data, and if you say you don't wish to be contacted then they have to comply with that request.

LEWIS: Well, Janet, thanks for your call. I know chuggers are a source of much annoyance to many Money Box listeners, but it does seem to be a way for charities to raise money perhaps from people who wouldn't normally think of giving to that particular group. So thanks very much for your call. I hope you have some peace in Totnes when you're doing your shopping. Muriel's now calling from Dorking.

MURIEL: Oh hello, Paul. Yes, my question is that I'm an elderly person but thankfully pretty fit for my age, and I've had covenants with my favourite charities you know for a number of years and ticked the box for occasional contribution through the Gift Aid box. But at this stage in life, I'm doing what I imagine quite a lot of people of my age are doing - they're thinking about their funeral and trying to make some helpful suggestions - and I have made the suggestion that if anyone wishes to give a contribution rather than flowers to make a charitable contribution. Now I'm just wondering whether these contributions made on the day - and presumably most of them cheques - whether that collection of contributions can in any way benefit by being gift aided?

LEWIS: Right. We're going to talk about Gift Aid in a moment, but is it ... Muriel, forgive me, but you say at your time of life - I've no idea what that is - but many people think about making a will and leaving money to charity in a will. Is that something you're also interested in?

MURIEL: Yes, yes. I'm aware of that and I can do that, but it's just my sister died fairly recently and quite a big contribution was made to her charity.

LEWIS: Sure. And people do say that, don't they? They say no flowers; donations to charity, and name the charity. John Low, how do you make sure that those gifts are of maximum benefit?

LOW: It is a matter of tedious administration. You have to put out little cards and get people to fill in their name and address and say they're willing to Gift Aid.

LEWIS: They have to say they're a UK taxpayer, don't they?

LOW: That's correct, that they pay tax. But these in memoriam gifts are just wonderful for charities. They engage people because they remember the loved one who's passed away and they really want to make a tangible gift. And if you ask, they'll sign up.

LEWIS: And how do you get those cards that you need? You put them out at the service, do

you? Or how do you do it?

LOW: Yes, you would normally either put it out in the lit... If you're sending out ...

LEWIS: An invitation.

LOW: ... an invitation, then you would include it with that. And that's quite common and the undertakers will often do it for you. And the charities will always provide you with those cards. Just choose the charity that you want and they'll provide the cards.

LEWIS: Right. And of course that's only for UK taxpayers. We'll come onto that now, I think. Muriel, I hope that answers your question. It just means that whichever charity you've nominated will probably supply the information and supply the cards to the person who deals with your affairs. So thank you very much for your call. And we're going to take a couple of calls on Gift Aid now. Ann first from Rugeley. Ann?

ANN: Hello, Paul. I do Gift Aid regularly - certain monthly sums for different charities out of my bank - but lately I've been giving more in larger sums and also gift aiding it. And what worries me ... I'm not very good at maths or organising my finances and what worries me is ...

LEWIS: *(over)* Most people aren't, Ann, in my experience.

ANN: *(laughs)* No. What worries me though is if I've gone beyond, how do I know? Perhaps I've sort of gift aided more than I'm able to.

LEWIS: Yes.

ANN: Now what happens then?

LEWIS: Well we've had a number of emails about this as well - people who say they've been gift aiding money for a while and then they've reached retirement, their income's gone

down. Clive Cutbill, what are the rules? How much income do you have to have to use Gift Aid?

CUTBILL: Fundamentally you've got to have paid enough tax to cover the amount which the charity will recover from the government under the Gift Aid scheme. So for every £1 which you actually give under the Gift Aid scheme, the charity's going to recover 25p. Now I don't know if you have an idea of how much income tax you're paying, but you're going to be paying 20% on your income above your personal allowance, which is just short of £6,500 at the moment, and you're going to be paying 40% if you've got an income over £37,500 in round terms. So you can work out roughly what your income tax bill is going to be. And as long as you're not actually giving away enough to eat into that, you're fine.

LEWIS: Right, so basically you've got to be a UK taxpayer and have paid enough tax to cover the donation. So as long as you're paying tax, that will normally apply if you're giving relatively modest amounts. Ann, does that help?

ANN: Well sort of, but I still don't quite understand.

LEWIS: Right, how much tax do you pay, Ann? Do you know?

ANN: Well I have to have an accountant, which is silly really, it's such a shame, because I'll be honest with you ...

LEWIS: *(over)* You probably pay him more than you give to charity.

ANN: ... I earn about £8,000 a year.

LEWIS: Sorry?

ANN: I earn ... I don't earn. I have a pension that comes to about £8,000 a year.

LEWIS: And are you under or over 65, if I may ask?

ANN: I'm well over 65.

LEWIS: Right, well you shouldn't be paying tax at all then because the personal allowance over 65 is £9,500 roughly, isn't it, I think?

ANN: Well in that case, I'll have to see my accountant because I pay him more than the tax I pay.

LEWIS: Right, well that sounds a bit odd, Ann, to me.

ANN: Oh! I'll look into that then.

LEWIS: But anyway, if you're over 65, that sounds a little bit odd because I think it's £9,400 and something for someone who's over 65. I haven't got the figures in front of me, but it's about that amount. So if your income is less than that, you really shouldn't be paying tax and so you can't gift aid your donations.

ANN: Golly, and I have been doing.

LEWIS: Yes, so I would talk to your accountant and then maybe ask him or her why you're paying tax and maybe stop paying them their fees shortly afterwards. John, people who've reached pension age, who have been regularly gift aiding, we've had a number of emails and calls from people who say, 'I want to un-Gift Aid but I don't know how to do it.' Charities are very good at saying tick the box, but it's very hard to un-tick the box. How do you do it?

LOW: You have to contact the charity and say I no longer pay enough tax. Stop claiming Gift Aid. And then you've transferred the responsibility from you to the charity and it's then their responsibility.

LEWIS: Right, so all you have to do is tell the charity. So you have to ... I mean presumably people know who they give regularly to, but if you throw the paperwork away, which some people do, wait for the next appeal and then inform them. And then you'll have done your job.

LOW: Absolutely.

LEWIS: You're under no further obligation.

LOW: Best to write to them.

LEWIS: Okay. Best to write. Yes indeed. And Peter from Maidstone also has a slightly more arithmetical question on Gift Aid.

PETER: Yes, Paul. I think the question has actually been answered. In your trail, you were quoting 28% increase ...

LEWIS: I was.

PETER: ... and the chap here has just said 25%.

LEWIS: He has. And, funny enough, we're both right. Clive will explain.

CUTBILL: It's absolutely right. When the rate of tax came down a couple of years ago, the result was that it is now 25%, which is recovered as Gift Aid. But the government put in transitional relief for 3 years and next year is the last year that that will apply, which effectively added 3%, so that the charities were getting as much as they would have done had the old rate of income tax applied and they got a 28% recovery. So there's a short window when we're both right.

LEWIS: (*laughs*) It's called a Treasury supplement, this extra 3%, isn't it? And just explain to us, Clive, if you can. If you're a higher rate taxpayer, what happens then?

CUTBILL: Very simply, the way that Gift Aid works is that you're deemed to have made your gift subject to tax at the basic rate. So if you write a cheque for £80 and the charity gets £80, you're deemed to have given £100, which means the charity can recover the £20 you've deducted from the Revenue, so it gets the £100 which you had originally before tax. If you're

a higher rate taxpayer, there's one further step that needs to go on. You should of course only have a cost of £60 because you've only got £60 left if you've paid 40% tax on £100. The Revenue will then give you back the further £20, so that it's cost you £60, the charity's got £100, and there's no tax paid.

LEWIS: And you say the Revenue will give it you back. I'm sure they don't spontaneously send you a £20 note in the post. How do you get it back?

CUTBILL: Well if you're doing a tax return, then you put it on ...

LEWIS: Your self-assessment form?

CUTBILL: Indeed. There's a space on the self-assessment return to record that. There is a provision, as I understand it, for you to obtain a special form from the Revenue.

LEWIS: P810 I was told this morning. (*laughs*)

CUTBILL: So I hear. Which enables you to claim it back if you don't otherwise file a tax return.

LEWIS: Right and you can find details of P810 on the Revenue website, and indeed on Direct.gov.uk, which is full of lots of useful information. And of course through our website: bbc.co.uk/moneybox. I should also say there's a lot of detail there. You can listen again to the programme on that website or you can read a transcript in a few days time. With the intervention of Christmas, it might be slightly longer than usual, but in a few days you will be able to read a transcript of the programme to check up on all those details that you didn't write down. Thanks for your call, Peter. That arithmetic does flummox many people, including me when I first look at it afresh every time. Michael now from Ruislip has a question. Michael, what's your question?

MICHAEL: Well my question concerns the value of an estate for inheritance tax. In my situation - married couple, no children, joint house, joint account and we've got what I think

you would call mirror wills. And on the first death, there's no problem in that the entire estate goes to the other; but on the second death, it appears to me that if the value of the estate for inheritance tax is assessed after the payment of legacies, then the liability to inheritance tax would depend entirely on how big the legacies are as distinct from what is left as residual value. Is that correct?

LEWIS: Right. Well Clive is our lawyer. Clive?

CUTBILL: The starting point is that if on the second death there is more in the estate than both nil rate bands or that part of the nil rate band which hasn't been used on the deaths, then in principle that will pay inheritance tax at 40%. However, property that passes to charity is exempt from tax. So in your situation, as I understand it, the whole of the estate will go to the survivor on the first death?

MICHAEL: That's right.

CUTBILL: Okay, so on the second death there will be two nil rate bands available to go against the value of that estate.

LEWIS: That's two lots of £325,000 under present terms, isn't it?

CUTBILL: Exactly. So in principle, anything over £650,000 were you to die now, or the second person to die now, would be taxable to inheritance tax at 40%. However, if any of that additional money goes to charity, that doesn't pay inheritance tax.

MICHAEL: And that's true whether it's a legacy or whether it's a residual share, is it?

CUTBILL: Absolutely, yeah.

MICHAEL: Yes. Well that's helpful. Thank you.

LEWIS: Good. Thank you very much for your call, Michael. Clive, while we're on this, it's a

little hobby horse of mine and I think you probably agree. When you give money in your will, obviously it does reduce the inheritance tax bill but it's not a sensible way to do tax planning; it's a way of giving money to charity. Is that how I can put it?

CUTBILL: I think that's absolutely right. I mean if you give the money during your lifetime under the Gift Aid scheme, two things happen: one, you've got more money through to charity at less cost; and, two, the money which you would otherwise have had isn't there to be taxed in the first place, so actually it's more efficient.

LEWIS: *(over)* When you die.

CUTBILL: Yeah, exactly.

LEWIS: Okay, thanks very much for clarifying that. And just before we move onto Patricia in Loughborough, I'm just going to raise another point. We talked about people making sure donations at funerals were gift aided. What about sponsored activities, John, because that's another time, isn't it, when people sometimes just write a cheque for 10 quid to someone who's run the Marathon. That's a bit mean, isn't it? 100 quid and it doesn't get gift aided.

LOW: Yes, most charities will be very diligent in giving you forms to be filled in for sponsorship and those forms will provide for gift aiding. And it's very important that both the person who's donating and the runner or whatever they're doing asks people to do it because boosting the amount of money going to charity for free is just an absolute must.

LEWIS: Okay. And we're going to Patricia now in Loughborough. Patricia, your question?

PATRICIA: Yes, thanks. I'm ringing from Rainbows Hospice for Children and Young People, and as a relatively small regional charity we're obviously fund raising our money fronts at the moment to sustain our income. We do very actively promote Gift Aid, but we're not so successful with payroll giving and there does seem to be a reluctance on the part of many employers to engage in this quite simple method of charitable giving.

LEWIS: Okay.

PATRICIA: I just wondered if you had any ideas of how to make it more attractive?

LEWIS: *(laughs)* Well let's see if the panel does. Quite briefly because I want to get another question in. Les Hems?

HEMS: We were talking about this earlier on between ourselves and it's one of those challenges for 2010 I think is to try and get people who are responsible for payroll companies.

LEWIS: Explain how it works first.

HEMS: Well you can actually make donations out of your pre-tax pay, so it's actually probably the most efficient way of giving money to charity but you have to engage with your employer. Your employer needs to run a scheme and therefore we're looking for the HR professionals who are listening in today to actually, if they're not running a payroll scheme in their business, they should really be looking at that for 2010.

LEWIS: Human resources. What I call personnel, but people in that department. So really it's a question of getting through to employers and getting them to do it and engaging them, and they will then engage the employees. And I suppose, John, employees can get together and say to the boss, "Well we want to do this. Just get on with it"?

LOW: Yeah and it's effectively a free benefit to your staff. You know you're giving an opportunity to give to charity. Isn't that great?

LEWIS: That's payroll giving. And we've just got time, I think, to squeeze in a question from Jennifer in Tunbridge Wells. Jennifer?

JENNIFER: Hello. My question concerns the demise of the cheque. I'm an old age pensioner and I make frequent small payments to a variety of charities by cheque, and I am not willing

to donate online having suffered fraud in my past on my bank account.

LEWIS: Right. Okay, Jennifer ...

JENNIFER: ... and so what are the charities going to do about this? It sounds terrible.

LEWIS: Right, I'm going to cut you off there and just put that question because we've got about twenty seconds. John Low?

LOW: It's going to be a big problem for charities because a lot of money comes in through cheques, and I think there's a very uncertain future for fund raising unless something very significant happens.

LEWIS: Yes. And I should just say these are the plans put forward by the banks to phase out cheques or stop cheque clearing altogether by October 31st 2018. And I have to say an awful lot of people have emailed Money Box to make very similar points. That is all we have time for today in a slightly shorter than usual Money Box Live. My thanks to John Low of Charities Aid Foundation; Clive Cutbill from Withers; and Charity Research Director Les Hems. Thanks too for all your calls and emails. Sorry if you didn't get through. You can find out more about giving to charity. The BBC Action Line is on 0800 044 044. Our website: bbc.co.uk/moneybox. Listen again, subscribe, and, as I say, read a transcript. The website is also the place to do our Christmas Quiz. 20 teasers from the Money Box Torquemadas. No prizes, but how smug will you be if you get 20 out of 20? Money Box is back on Saturday - yes Boxing Day - with a special discussion on housing, and I'll be back again to take more of your calls on Money Box Live next Wednesday afternoon - the last Money Box programme of the decade. Subject: saving and investing.