OpenDoors
Serving persecuted Christians worldwide

Improving the Share Options

New Relief on Gifts of Shares can Provide a Significant Bonus to Open Doors

UK taxpayers wishing to make a donation of shares to Open Doors can now claim the full value of the gift on their tax returns. In this way, they can obtain relief at their marginal rate of income tax, as well as continuing to avoid capital gains tax liability on the gift.

This double tax relief can result in a benefit to Open Doors of up to five times the "after tax" cost to the donor. Therefore a net tax cost to the donor of £8,000 could be worth up to £40,000 to Open Doors (£20,000 worth up to £100,000 and so on).

First Worked Example

It works like this: assume a donor, with taxable income well into higher tax rate (40 per cent), makes a gift of quoted shares worth £40,000. Their income tax liability reduces by £16,000 (£40,000 at 40 per cent), making the "after income tax" cost £24,000. If the shares' value include a gain of £25,000, capital gains tax liability of £10,000 is also avoided (assuming the annual CGT exemption is otherwise utilised). Therefore, the full "after tax" cost of the gift is reduced further to only £14,000.

The greater the element of gain, the greater the tax benefit. So if the full value of the shares consisted of capital gains, the net cost would be as low as £8,000 or one fifth of the value received by Open Doors.

Alternatively, this maximum rate advantage for the donor can be achieved if Open Doors agrees to buy the shares for the "tax base cost" and, in effect, the donor gifts the capital gain element.

Second Worked Example

Taking another example, let us say the donor has shares worth £100,000 carrying a capital gain of £70,000 and agrees to sell them to Open Doors for £30,000. The donor receives income tax relief on the value of the gift ie. £28,000 (40 per cent of £70,000) and avoids capital gains tax on the same £70,000, worth another £28,000.

Therefore, in this example the "after tax" cost to the donor is still £14,000, the same as in the first example. (£100,000 of shares less the price paid of £30,000; the income tax relief of £28,000; and the CGT avoided of £28,000). However Open Doors has received a donation worth £70,000, which is £30,000 more than in the first example.

Which Shares Qualify?

Most quoted shares and securities should qualify for the relief on a gift, including:

- Shares and securities listed or dealt in on a recognised stock exchange, whether in the UK or elsewhere, including those on the Alternative Stock Exchange (AIM).
- Units in an authorised unit trust.
- Shares in an open-ended investment company (OEIC), and
- Holdings in certain collective investment schemes.

Complex Capital Gains

While the income tax position for a gift of shares may be quite simple to calculate, the capital gains tax rules are complex, with the effects of indexation allowance on the cost and taper relief on the gain. Also, the donor needs to consider the impact on their investment portfolio and its income generation. Though individual circumstances may differ, maximum advantage should generally accrue for a donor who gifts shares which carry the greatest gain.

Most donors are likely to make a decision based on how much they are prepared to gift "after tax", in which case, the benefits of tax efficiency will accrue to Open Doors. The Inland Revenue has indicated
that charities may pay for any professional advice, as long as, by minimising the cost to the donor the charity will benefit.

The ability to increase the real benefit of donations, through tax efficient schemes for gifts of shares is appealing to both the donor and Open Doors. Open Doors is able to provide potential donors with the ability to sponsor a specific programme or activity, for example Bibles for China.

For further information please contact:

Paul Tew
Supporter Relations Director
Open Doors UK
PO Box 6
Witney
Oxon OX29 6WG

Tel: 01993 885400
Email: pault@opendoorsuk.org