

The British government has introduced the most significant tax incentives for charitable gifts ever proposed in this country, perhaps the most generous in the world. **Karen Wright** explains more about how a partnership of charities and government aims to get Britain giving.

Charitable change – creating a new culture of giving for Britain

The government has declared a new Giving Age and the goal is ambitious – an extra one billion pounds for charitable causes over the next two years. If this goal were reached, it would mean a dramatic 20 per cent increase in overall giving levels.

Why the concern? There are some worrying trends. Despite improving economic conditions across much of the country, and the fact that those who do give are giving more, overall levels of giving are going down. The proportion of households donating to charity has declined by ten per cent since 1978, and donations among young people have gone down 25 per cent. More planned or 'tax-effective' giving has plateaued at roughly 13 per cent of all gifts, with the remaining 87 per cent being made by 'spontaneous' methods which yield far lower average amounts.

This concern is coupled with growing discussion about the future of giving in Britain. There is increasing interest in new forms of philanthropy that reflect changing social values and which many hope will appeal to those who have the financial capacity to give but have not yet shown the inclination to do so – emerging populations, the newly-rich as well as non-givers. Terms like

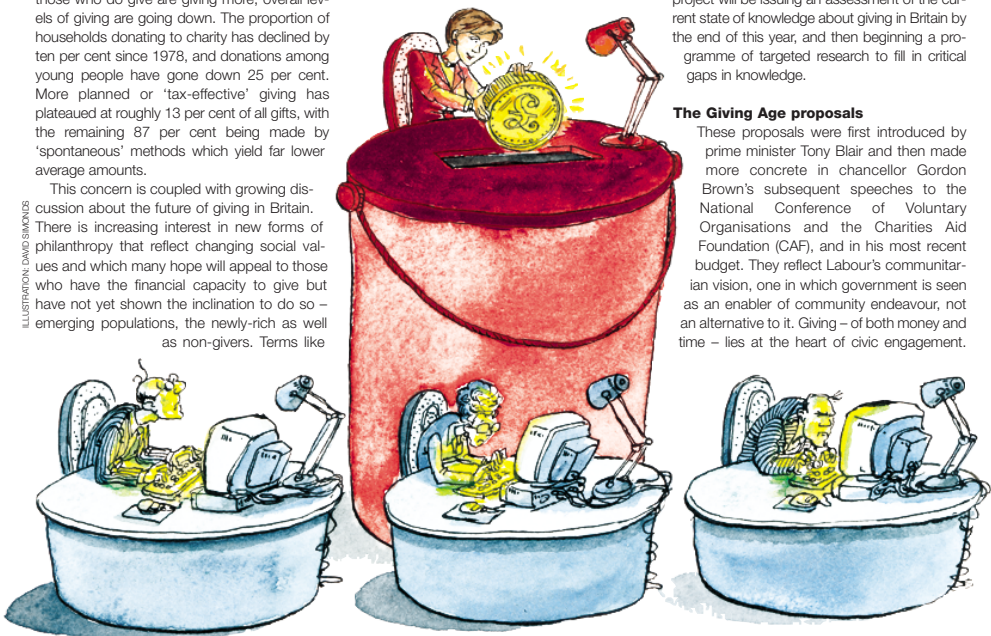
'Payroll giving is especially key. It has the potential to involve diverse segments of society in sustained giving to the causes and organisations about which they care most'

social entrepreneurship, new mutualism, e-philanthropy and venture philanthropy are increasingly being used. A variety of groups are getting together to try to sort out what these and similar ideas might mean for Britain.

Amid these developments, LSE's Centre for Civil Society has launched an effort to investigate the current state of Britain's giving culture, with the aim of producing recommendations to encourage its further development. The research project will be issuing an assessment of the current state of knowledge about giving in Britain by the end of this year, and then beginning a programme of targeted research to fill in critical gaps in knowledge.

The Giving Age proposals

These proposals were first introduced by prime minister Tony Blair and then made more concrete in chancellor Gordon Brown's subsequent speeches to the National Conference of Voluntary Organisations and the Charities Aid Foundation (CAF), and in his most recent budget. They reflect Labour's communitarian vision, one in which government is seen as an enabler of community endeavour, not an alternative to it. Giving – of both money and time – lies at the heart of civic engagement.





'We must continue to use to the full the spirit that made our great organisations for mutual aid and that fired the philanthropists of the past' William Beveridge

1902
Pre-welfare state
Britain



Accordingly, the government is proposing three broad strategies:

- devolution of greater responsibility to local areas
- creating a partnership between the public and voluntary sectors
- active promotion of the value and strength of the voluntary sector by simplifying legal frameworks and building a solid financial foundation for it

This new 'bear hug' from government may seem to some to create an uneasy relationship. It is perhaps ironic that the public sector is assuming the role of leading actor in promoting the non-profit or voluntary sector. But recent work on the relationship of government and the voluntary or non-profit sector has stressed the importance of an actively supportive public sector to the flourishing of private charity and associations. Others have raised concerns that expanding the role of private giving may lead to increasing inequalities in financing and provision. Such criticism underscores why private giving cannot be considered a substitute for public provision.



However, there is generally great enthusiasm among voluntary organisations for the new tax treatment proposals. Widespread discussions are underway on how to maximise the opportunities they present. With one notable exception – the donation of securities – they continue to rely on the distinctively British altruistic tax treatment model, which directly benefits the charity rather than, as in the United States, the donor. They are designed to eliminate many of the policy and procedural barriers that have limited the applicability and appeal of tax-effective giving.

Payroll giving is especially key. It has the potential to involve diverse segments of society in sustained giving to the causes and organisations about which they care most. Government incentives for payroll giving are particularly strong: all gifts from pay qualify for subsidies from tax, there is no longer a ceiling on amounts, and for the next three years the government will add in an extra ten per cent on top.

CCS research on Britain's culture of giving

What is the current state of philanthropy in Britain? What trends, visions, and forms can shape the future of giving? What are the strengths and weaknesses of Britain's culture of giving, and what opportunities and obstacles present themselves in developing the country's philanthropic potential? These broad questions drive the CCS research project, which seeks to identify barriers and opportunities for the expansion and enhancement of a philanthropic culture by:

- drawing lessons from the historical devel-

opment of philanthropy and giving in Britain

- examining a broad cross-section of population groups, givers and non-givers, leading philanthropists, and policymakers

- reviewing current and proposed policies, laws and regulations applying to giving and philanthropic practices, particularly in the light of the recent government initiatives
- developing a set of policy options for wide discussion for the purpose of influencing policymaking and shaping the giving culture in this country.

The project will be conducted in three phases. The first phase will evaluate current research on giving in Britain, identify gaps in the research and pinpoint critical issues for the creation of a robust giving culture in Britain. It will be completed by the end of 2000.

Historical perspectives

Britain has a long history of voluntary action and charitable giving. The first Statute of Charitable Uses, which gave order to the burgeoning field of charitable endeavour, came into effect within five years of the landmark Poor Law of 1597. More than 1,300 trusts were in existence before 1700 in the city of London alone.

The Victorian era is probably most widely thought of as the Golden Age of philanthropy, though its troublesome legacies of inequality and moral judgement still haunt perceptions of private giving in Britain. Industrialisation and urbanisation, a view that an impoverished and illiterate working class was a hindrance to national advancement, flourishing religious and moral evangelism – even a need on the part of the monarchy to justify its continued existence, all shaped the character of Victorian philanthropy.

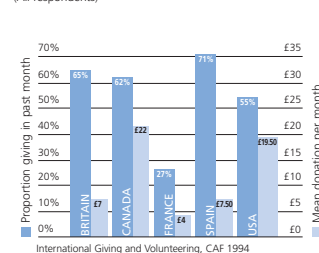
The post-World War Two welfare state was believed by some to eliminate the need for philanthropy and charitable giving. This, however, was not the view of William Beveridge, former director of LSE and author of the report widely credited with establishing these new public institutions. He argued passionately that: 'We must continue to use to the full the spirit that made our great organisations for mutual aid and that fired the philanthropists of the past.'

Comparative perspectives

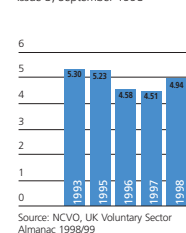
Compared to other western countries, in Britain rates of participation in charitable giving are quite high. But the amounts donated are comparatively low (see chart). This may be the result of heavy reliance on spare change giving methods like street and door-to-door collections.

Comparisons with America are particularly common. Overall levels of charitable giving in Britain as a percentage of GDP are less than one per cent. American levels have generally been closer to two per cent of GDP,

COMPARISONS OF DONATING ACROSS COUNTRIES (All respondents)



TOTAL DONATED GIVING TO CHARITY IN £ BILLION NCVO, Research Quarterly, Issue 3, September 1998



and recent gains in the stock market, coupled with their donor-benefit tax incentives, have pushed them even higher. Corporate contribution levels average one per cent of pre-tax profits, and in many cities corporate giving clubs, like the Percent Club here, require members to give two and five per cent of their profits away. Nearly 40 per cent of American employees have the option of payroll giving at their workplace; in Britain it is approximately one per cent.

Looking to the future

Strategies to build Britain's giving culture must build on past and emerging British values and traditions – voluntary action, social duty, mutual aid, and others.

The practice of giving must also be understood against a wider backdrop of social and cultural change. Secularisation of much British society has already reduced not only the amount of giving that goes to churches, but also

the exposure of large segments of the population to the habit of giving. On the other hand, the increasingly multicultural nature of urban British populations has brought new traditions and practices of giving, about which there is very little research. At the same time, increasing family change has left many households with far less disposable income and time to contribute to community or charitable causes.

The globalisation of business activity and consequently of individual lives has already affected patterns of corporate giving, and will likely affect individual giving as well. There is concern that increasing population mobility will dilute the ties of geographic community identity, which have underpinned much of giving and volunteering in the past. Will new kinds of community ties take their place and transform the causes to which people give? Entrepreneurship is generating new fortunes. Will new social and business practices spawn new forms of giving? ■



THE NEW UK TAX LAWS

GIFTS OF STOCK OR SECURITIES

By giving charitable donations of stocks or securities instead of cash, donors can decrease their tax burden while supporting a good cause. The full market value of gifts of stocks or securities may be deducted from a donor's taxable income at the top rate at which he or she pays.

For example, an individual earning £100,000, who makes a stock gift of £25,000, receives a £10,000 tax rebate. As a result, the £25,000 gift only costs the donor £15,000, while the charitable organisation has the benefit of the full amount.

EXAMPLE	GIFT	NO GIFT
Income	£100,000	£100,000
Gift of stock	£ 25,000	£ 0
Taxable income	£ 75,000	£100,000

2000-2001 Income Tax* £ 24,705 £ 34,705
 * Calculated as 10 per cent on the first £1,520 earned, 22 per cent on £1,521 to £2,840, and 40 per cent on income above £2,840. The formula presented may be altered by individual financial circumstances. Please consult a tax adviser when making changes to financial affairs.

PAYROLL GIVING

The annual £1,200 cap on payroll deductions has been removed. Contributions via payroll deduction are now unlimited and the government will add ten per cent to all donations using this scheme until 5 April 2003.

GIFT AID

Gift Aid, which is a scheme whereby the government returns to charitable organisations the income tax paid on donations, will be granted for all gifts of all sizes. Formerly, Gift Aid was available only for covenant gifts and one-off gifts of at least £250.

In addition, higher-rate taxpayers may claim higher-rate tax relief (the difference between FY 2000-01 basic tax rate of 22 per cent and the higher tax rate of 40 per cent) against personal income tax.

If you would like to make a gift to LSE, or want more information about how these new UK charitable tax relief schemes work, please contact the Development Office on +44 (0)20 7955 7361.

VISIT WWW.GIVINGTODAY.ORG



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