

Essential information for not-for-profit organisations when
setting up a Payroll Giving Scheme

Payroll Giving



Make a difference every pay day

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1. About this guide

Charities rely on regular income to grow and develop projects and services. Giving from pay is a simple and tax-free way to make regular donations to a chosen cause.

This guide gives further information about what Payroll Giving is, the benefits for your organisation, the benefits to employees wishing to give and for their employers, and how employees can to get started.

2. What is Payroll Giving?

Payroll Giving is a flexible scheme run through HMRC which allows anyone who pays income tax to give regularly and on a tax free basis to the charities and good causes of their choice.

Every employer no matter the size of the business or industry type can offer their employees Payroll Giving as an option. Pensioners can also use Payroll Giving to give to charity by direct deduction from their occupational pension.

3. How does it work?

The donation is taken from gross pay and before income tax is deducted. The table below highlights the benefits to the donor and the charity according to tax rates:

Employee donation received by charity	Tax relief (20% tax) or reduction in tax paid	Cost to basic rate taxpayer	Tax relief (40% tax) or reduction in tax paid	Cost to higher rate taxpayer
£5.00	£1.00	£4.00	£2.00	£3.00
£8.00	£1.60	£6.40	£3.20	£4.80
£10.00	£2.00	£8.00	£4.00	£6.00
£15.00	£3.00	£12.00	£6.00	£9.00

4. What are the benefits?

There are benefits of Payroll Giving for the charity, the employer and employee:

4.1 Charity Benefits

- Unrestricted income.
- Regular, reliable income stream, which allows a charity to plan and budget for the future.
- Low administration costs as the Payroll Giving Agency (PGA) transfers the donations to the charity's bank account and supply donor information at a nominal cost.*
- As donations are deducted from an employee's pay there is potential for longevity that other forms of giving do not present.
- Since donors benefit from tax relief on their donations, they may want to give a little more.
- Payroll Giving can be the first step in building a long-lasting relationship with the company that may lead to many other types of employer support.
- Some employers choose to match their employees' gifts, some even double match their contributions.
- There is an opportunity to go back to an employer to discuss increasing the level of donations or to sign up new employees.
- When Payroll Giving is included as part of a Charity of the Year partnership, employees that have signed up to give may continue to do so, long after the original partnership has ended.

**This cost varies by agency.*

What are the benefits?

4.2 Employer Benefits:

- Simple to set up and easy to run.
- Cost-effective with minimal admin and set-up fees*. What's more, your set-up and running costs are deductible from corporate tax.
- Enhances corporate social responsibility profile.
- Boosts reputation and public image.
- Demonstrates commitment to causes employees care about.
- Improves staff morale and motivation.
- Recognition through quality marks and excellence awards.

** This cost varies between agency. If there is an administration fee they will usually deduct this from employees' donations before they pass them to the charity. Employers can choose to pay the fee, meaning the charities will get more money. You can deduct any costs of running the scheme from your business profits before tax.*

4.3 Employee Benefits:

- Easy and convenient - they can donate to as many causes as they like straight from their pay without handing over their bank details.
- Tax-effective - the donation will be taken after National Insurance is deducted, but before tax, which means their donation will cost them up to 45% less.
- Supports the causes they care about.
- Quick and easy - ideal for busy people or for those who don't wish to run a marathon, jump from a plane or raise money in other way.
- Flexible - control over how much they want to donate, and to which causes.

5. How does it work?

5.1 What are the costs?

There are minimal set-up costs for employers. The administration charges are low and are usually per donor, per month, regardless of the value of donation. The employer can choose to cover this cost or have it deducted from the donations. The employer may also choose to match fund their employee's donation.

5.2 Getting started

Getting started is easy for employers and is completed in a few easy steps:

1. The employer must first register with an HMRC approved Payroll Giving Agency (PGA) such as Charities Trust, Charities Aid Foundation and Charitable Giving. There are details of approved Payroll Giving Agencies on the HMRC website;
2. Once registered, employers should promote the scheme to its employees. the PGA could support this activity. There are lots of ways to encourage employees to get involved and give through their pay;
 - Send emails or hand out flyers to staff to let them know about the scheme
 - Hold a face-to-face fundraising day
 - Introduce incentives such as Matched Giving, a prize draw, or a competition between teams
 - One-off gifts – donate your last hour's pay of the month/week/year
 - Introduce information about Payroll Giving in your induction/new starter pack

3. Employees complete their sign-up forms and pass to the payroll administrator who will then forward the information to the chosen PGA;
4. On each payroll run, the payroll administrator sends details of deductions by secure portal or email and makes one payment directly to the PGA;
5. The giving begins—the PGA will distribute funds to the causes selected by the employee;
6. Claim their award! Organisations that have a Payroll Giving scheme in place are eligible for the Quality Mark Awards. The awards celebrate the achievements of employers that have adopted and successfully promoted Payroll Giving schemes in their workplaces and have enabled their employees to give to the charities that matter most to them. The company can become a bronze, silver or gold award holder by signing up 1%, 5% or over 10% of your work force.

6. Further Information

Community Impact Bucks

Please contact the VCSE & Community Team:

Phone: **0330 236 9350**

Email: **info@communityimpactbucks.org.uk**

Website: **www.communityimpactbucks.org.uk**

The Association of Payroll Giving

The Association of Payroll Giving Organisations (APGO) is a membership organisation and consists of professional experts from the Payroll Giving community

<https://www.apgo.org.uk/>

HMRC Guidance on Payroll Giving

<https://www.gov.uk/government/publications/charities-detailed-guidance-notes/chapter-4-payroll-giving>

Payroll Giving Agencies

CAF (Charities Aid Foundation)

Phone: 03000 123 000

Email: **giveasyouearn@cafonline.org**

Website: **cafonline.org**

Charitable Giving

Phone: 01822 611 180

Email: **mail@charitablegiving.co.uk**

Website: **charitablegiving.co.uk**

Charities Trust

Phone: 01512 865 129

Email: **info@charitiestrust.org**

Website: **charitiestrust.org**

For a full list of Payroll Giving agencies approved by HMRC, visit: **<https://www.gov.uk/government/publications/payroll-giving-approved-agencies/>**



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