



Payroll Giving

Introduction for employers and pension providers

Payroll Giving is a way for your employees to make regular payments to a charity directly from their pay. People who receive their company/personal pension through PAYE (Pay As You Earn) can participate too.

Payments that your employees make through a Payroll Giving Scheme are deducted from their pay before tax is deducted. This means that employees are given tax relief on their donation immediately - and at their highest rate of tax.

It's easy to set up a Payroll Giving Scheme for your business. There is little in the way of cost and administration, and you will probably be able to adapt your existing payroll system to operate the scheme.

This guide explains how Payroll Giving works, who covers the costs, and what you have to do as an employer to set up a Payroll Giving Scheme for your employees.

How Payroll Giving works

Payroll Giving lets your employees (and people who receive a company/personal pension) make donations to charities of their choice directly from their pay – providing they pay tax through PAYE. They can donate as much or as little as they want.

If you decide to run a Payroll Giving Scheme for your employees you will make regular deductions from their pay through your payroll system. You deduct the amount an employee asks you to take from their pay after working out and deducting their National Insurance contributions, but before applying PAYE.

You pass on all the donations you have deducted to an approved Payroll Giving Agency. They then distribute the donations to your employees' chosen charities - you don't have to do anything else.

All modern payroll systems can be set up to handle Payroll Giving and there are no extra tax forms to fill in.

The advantages of Payroll Giving

Payroll Giving is simple to operate and it can help you to build good relations with your employees. Charities benefit because they get regular donations to help them with good causes. And your employees benefit because they get tax relief on the donations straight away at their top rate of tax, meaning that their donations cost them less.

For example, it would only cost an employee who pays tax at the basic rate of 20 per cent £8 to make a £10 donation to their charity. And it would only cost an employee who pays tax at the higher rate of 40 per cent £6 to make the same sized donation.

Setting up a Payroll Giving Scheme

To set up a Payroll Giving Scheme all you have to do is sign up with an approved Payroll Giving Agency. HM Revenue & Customs (HMRC) approves Payroll Giving Agencies and lists them on its website. Each Payroll Giving Agency is itself a charity.

You just have to set up your payroll system for Payroll Giving. Then you can offer the scheme to your employees.

Yes to Life

Unit 4, The Energy Centre, Bowling Green Walk, London N1 6AL

Telephone: 0845 257 6950 office@yestolife.org.uk www.yestolife.org.uk

Company No: 05495576 Registered Office: As above Registered Charity No: 1112812



Nominating charities

It's up to your participating employees to choose which registered charities they want to support.

When you sign up to an approved Payroll Giving Agency they will give you charity nomination forms. Your employees can fill these in and return them directly to the Payroll Giving Agency. This means that their choice of charity is confidential. There's no need for you to know and they may prefer to keep this information to themselves. If they want to, they can also remain anonymous to their chosen charities.

Some Payroll Giving Agencies also provide your employees with a charity cheque book or payment card so that they can give directly to their chosen charity whenever they want.

If your company supports a particular charity your employees can use Payroll Giving to make donations to that too. But your employees must always be free to give to any charity they want. Some employers pledge to match their employees' donations with a donation of their own.

You might want to ask a charity - or a local group of charities - to come into your business and talk to people about the scheme. Or you could invite a Payroll Giving professional fundraising organisation to do this. There's a list of professional fundraising organisations on the HMRC website.

Who pays the administration costs?

The Payroll Giving Agencies do most of the administrative work and meet most of the costs. Most deduct a small charge from the donations to cover these administrative costs - up to about 4 per cent is usual. They distribute what's left to your employees' chosen charities.

You can pay this administration cost for the Payroll Giving Agency so that the charities get the whole amount of your employees' donations. If you do this you can set whatever you pay against your profits for tax purposes.

Your own administrative costs should be very low. Once you have set up your payroll system for Payroll Giving you should find that it just becomes part of your routine payroll procedure. If you do have any extra costs then you can set these against your profits for tax purposes.

Records you need to keep

You will need to keep certain records if you run a Payroll Giving Scheme. These are:

- a copy of your contract with the Payroll Giving Agency
- the forms that your participating employees fill in authorising you to make the deductions from their pay
- a record of the deductions that you make from each employee's pay
- a record of all the money you pass on to the Payroll Giving Agency

Contacting the HMRC Charities Helpline

For more help you can contact the Charities Helpline. Select option 6 for Payroll Giving.

Contact Charities Helpline: 0845 302 0203 ; charities@hmrc.gov.uk

More information: <http://www.hmrc.gov.uk/individuals/giving/payroll.htm>.

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