

Example 1: Outright Gift of Shares

Andrew, a higher rate taxpayer who has already used up his annual CGT exemption, decides to give £10,000 worth of quoted shares to Tees Valley Community Foundation in January 2004. Were the shares to be sold for £10,000, Andrew would make a chargeable gain (after taper relief) of £7,000

As a result of his gift, Andrew can claim a deduction of £10,000 from his total taxable income for the tax year 2003-04. This relief (at his 40% tax rate) is worth £4,000 to Andrew.

Thus, the net cost of the gift to Andrew is only £6,000. In addition, the gift of shares to Tees Valley Community Foundation is a "no gain, no loss" transaction and does not give rise to any chargeable gain for CGT purposes. Therefore, Andrew also avoids the potential CGT charge of £2,800 (£7,000 at 40%) which would have arisen had he sold the shares in the market.

Meanwhile, Tees Valley Community Foundation has received quoted shares with a market value of £10,000



Example 2: Sale of Shares Below Market Value

Barbara, a higher rate taxpayer who has already used up her annual Capital Gains Tax exemption, has some quoted shares that are worth £30,000. The shares cost Barbara £10,000 in May 1999. Barbara is prepared to donate the £20,000 increase in value in the shares to Tees Valley Community Foundation and in February 2004 it is agreed that she will sell the shares to the Foundation for their original cost of £10,000.

Barbara recovers her original cost of £10,000 and receives income tax relief of £8,000

(£20,000 at 40%) for the tax year 2003-04 in respect of the under-value donated to the Community Foundation. In addition, she also avoids a £7,200 CGT liability on the tapered gain of £18,000 (90% of £20,000) that would have arisen had she sold the shares in the open market.

Meanwhile Tees Valley Community Foundation has received quoted shares with a market value of £30,000.



Set-up procedure and costs	Must register as a charity and apply to the Charity Commission	Simple agreement; no start-up fees or costs
Investment, audit, accounting and tax	Must fulfil financial and administrative requirements or contract or hire staff	Community Foundation handles all financial and administrative management, sorts out audit and reports to Charity Commission
Grant management	Must research and check activities and status of all recipient organisations; has ultimate say in all grant decisions	Community foundation verifies activities and status of all potential grantees; donors have access to grant-making know-how and services; donors can be as involved as much or as little as they want in the grant-making process; donors make recommendations to community foundation's Board on grants to be made;
Privacy	Required to keep public records	Anonymity of donor can be maintained if wanted; if the donor wishes, the community foundation can serve as a buffer between donor and grant-seekers
Profile	Responsible for own profile	Community foundation can raise donor's profile in the community by making grants in donors' name and featuring the donor in publications
Networking	Must find own networks and information sources	Community foundation networks like-minded donors; connects donors to variety of groups and issues in the community

