He donated £1m. You can do your bit too

We don’t all have a seven-figure sum to spare for charity but our tips will help you to give more — and cut your tax bill, writes Ali Hussain

LIKE the rest of us, Frederick Mulder wants his charitable donations to go as far as possible, so he fills in the Gift Aid form that allows good causes to reclaim tax.

Unlike most of us, the art dealer gives away a six-figure sum every year. In some years, he has handed out more than £1m. “I have always enjoyed giving. Having the chance to make a difference in this way is a huge privilege,” said Mulder, 72.

Britain is one of the most generous countries, beaten only by America for seven-figure donations. The number of people giving £1m-plus rose from 73 in 2011 to 150 in Britain last year, according to the latest Million Pound Donors report by the private bank Coutts.

There were 298 donations of £1m or more last year, the highest figure since Coutts started recording the data in 2008. The average size was £5.3m, up from £4.6m the previous year.

The report, produced with Kent University’s Centre for Philanthropy, tracks the number, size, scale and recipients of £1m-plus donations made in Britain and around the world. “It seems clear that donors’ confidence is recovering and that charities are trusted to make good use of significant sums,” said Beth Breeze, the report’s co-author.

What do wealthy donors say?

Born in Canada, Mulder has been an art dealer in Britain since 1971. He likes to donate at least 10% of his income to charity each year — and sometimes far more.

In 2007 he sold a Picasso print, La Minotauromachie, for about $3.5m and gave 75% of the proceeds to the Frederick Mulder Foundation. It was set up in 1986 to fund efforts to tackle climate change and global poverty and to encourage social change. It also received half the proceeds from his $20m sale of a collection of Picasso linocuts three years ago.

Mulder, of Belsize Park, north London, said his Christian upbringing had encouraged his philanthropy...
although he is no longer religious. “When I was young I belonged to a church that practised tithing, so I grew up being used to giving a portion of my income for a purpose outside myself,” he said.

Mulder is encouraging the same attitude in his three children. “Each of them has an amount they can give away on a discretionary basis,” he said.

In 2002, Mulder co-founded the Funding Network, which allows charities to present their work to potential donors in a Dragons’ Den-style format.

Another big donor is Rory Brooks, 61, co-founder of private equity group MML Capital Partners, who has given away about £300,000 a year for the past decade. He and his wife founded the Rory and Elizabeth Brooks Foundation in 2006. It supports organisations such as Manchester University, where he studied, and the Tate.

Brooks, of Notting Hill, west London, first gave regularly when he worked for a bank in America at the age of 24. It had a “give-as-you-earn” scheme, offering tax breaks. “Philanthropy in the UK is definitely in a better place than it was 10 years ago,” he said. “We’re on a good trajectory, but we need more people of means to give.”

MAKE YOUR CASH GO FURTHER: GIFT AID

Gift Aid is an easy way to boost the amount you give. The scheme has paid £1.3bn since its launch 25 years ago.

It allows a charity to claim back basic-rate income tax on donations. For example, if you give £100, the charity can claim back 20% basic-rate tax — which means it will bank another £25 from the taxman. This is because you will have received £125 gross from your employer before the 20% tax applies and 20% of £125 is £25.

If you pay higher or top-rate tax, you can claim back the difference between this and the basic rate. On a £100 donation, the charity will get £25, leaving you to claim another £25 if you are a 40% taxpayer (£125 - 20%) or £31.25 if you pay the 45% rate (£125 - 20% - £35 - 5%). This can be done on a self-assessment tax return.

To make a Gift Aid donation, you must complete a declaration form, which charities can provide.

LEAVE A LEGACY

If you donate part of your estate to charity, it will be excluded from inheritance tax (IHT) calculations. Those who give at least 10% of their estate benefit from an IHT rate of 36%, rather than the usual 40%.

An individual can pass on a maximum of £325,000 without the beneficiaries having to pay tax on the inheritance. Married couples or civil partners can pass on up to £650,000 tax-free.

If you are single and your estate is worth £800,000, a sum of £475,000 would be liable for IHT. That would mean a bill of £190,000 (40% of £475,000), cutting the beneficiaries’ inheritance to £610,000, according to calculations by the wealth manager Hargreaves Lansdown.

If you bequeath £45,000 to charity, the amount liable for IHT falls to £430,000, which means a tax bill of £172,000. This would leave the beneficiaries with £583,000 — only £27,000 less than in the first example.

If you increase the donation to £47,500 — 10% of the £475,000 liable for IHT — the estate could benefit from the 36% rate. The amount subject to IHT falls to £427,500 and the reduced rate of IHT gives a bill of £153,900. This leaves £598,600 for your descendants — £15,600 more than if you had left £45,000 to charity.

GIFT YOUR ASSETS

If you donate assets, such as shares, property and land, you can avoid capital gains tax if their value has grown. An individual can profit from a maximum of £11,100 of capital gains in this financial year. Anything greater will be taxed at up to 28%.

You could also use such a donation to reduce your income tax liabilities. Say you donated shares worth £25,000 to a charity and you had to pay administration charges of £200 to do so. This would allow you to subtract £25,200 from your income when calculating income tax. This is a saving of £11,340 for a 45% taxpayer or £5,040 for someone on the basic rate.

If you would like to donate small amounts in this way — say, shares worth £200 or less — you can use the charity website Shares4Life.org. All dealing charges are waived for donations to the site, which makes it useful for those who do not want the expense of cashing in small holdings.

Since it was launched in 1996, share-
gift.org has donated more than £20m to almost 2,200 charities. It has received more than 6,100 individual donations.

**PAYROLL GIVING**

If your employer allows it, you can donate to charity from your gross income. The gift is deducted after national insurance con-

tributions but before income tax. This means giving £1 would cost a basic-rate taxpayer only 80p and higher and top-rate taxpayers 60p and 55p respectively.

### Where were most £1m-plus donations made?

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of £1m-plus donations</th>
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<tbody>
<tr>
<td>America</td>
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<td>Russia</td>
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Frederick Mulder, with partner Fenella Rouse, sold a Picasso print, La Minotaumachie, below, for $3.5m in 2007. He donated 75% of the proceeds to his foundation.