



HM Government

Consultation on Payroll Giving

January 2013



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Foreword

Charities do vital work in our communities, and this Government is committed to helping them achieve more. In support of this, we are constantly looking to find new, innovative ways to encourage giving.

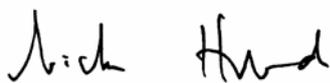
Indeed, we have already taken a number of concrete steps to benefit the charitable sector. These include the introduction of a tax break for those who leave 10 per cent of their legacy to charity; increasing the Gift Aid benefit limits for the largest donations; the introduction of the Gift Aid Small Donations Scheme that will allow Gift Aid style payments on small cash donations; and support for new ways of giving through the Innovation in Giving Fund. We are also making it easier for charities to claim Gift Aid by introducing an online claiming system and cutting red tape on charity shop donations from April 2013. Further, the Autumn Statement 2012 announced that we would look at helping donors who want to give through digital channels.

The Government continues to support charities through the tax system using a range of reliefs and exemptions. These include provisions to ensure that no income tax is payable on donations made under Gift Aid and Payroll Giving, helping charities secure more resources.

Charities have received over £1.3 billion from Payroll Giving since it began 25 years ago. Despite this success we want to see more done. Currently, only two per cent of employers offer Payroll Giving schemes with just three per cent of employees donating. Charities want to see an increase in regular donations from the workplace and we want to help them achieve this.

As such we have been looking at how to make Payroll Giving more appealing. The 'Giving White Paper – One year on', set out that we had challenged the Payroll Giving Agencies to modernise and streamline their services. Now we are asking the wider sector including charities, Payroll Giving Agencies, Private Fundraising Organisations, employers and donors for views on how to make Payroll Giving better so it delivers more for charities.

We look forward to seeing your responses.



Nick Hurd
Minister for Civil Society
Cabinet Office



Sajid Javid
Economic Secretary to the Treasury

1

Introduction

What is Payroll Giving?

1.1 Payroll Giving was introduced in 1987 to make tax-effective charitable giving simpler and more attractive to a wider range of potential donors. At the time, the main method of tax-effective charitable giving was through a deed of covenant, committing an individual to make donations for at least three years.

1.2 Payroll Giving allows an individual to make a tax-free donation to charity direct from their pay or pension.

1.3 Payroll Giving also provides an opportunity of reaching groups of people that do not normally donate. In particular, Payroll Giving engages with male professionals between the age of 31 and 45 who do not normally use alternative ways of giving.¹ It also offers huge potential, for both male and female workers of all age groups, particularly among those entering the job market, to start a culture of giving.

1.4 Payroll Giving can be used as a tool for employee engagement, boosting employee morale by, for example, giving employees a shared sense of purpose and contributing to the corporate social responsibility agenda of the business. Employers can, and often do, match the donations of their employees.

How does it work?

1.5 The principle behind Payroll Giving is simple. An employer or pension scheme contracts with a Payroll Giving Agency (PGA) to operate a Payroll Giving Scheme on its behalf. Currently, all PGAs are required to be charities.

1.6 The employee or pensioner (donor) completes a form for the PGA that acts for their employer or pension scheme administrator, requiring the employer or administrator to make a deduction from their salary or pension and pay this amount to the PGA. Payments are normally of a set amount and made monthly but one-off payments can also be made under Payroll Giving. The donor also tells the PGA which charity or charities they want their donation to be made to, and how much should be paid to each charity. The use of the PGA intermediary means that the donor can make their donations to their preferred charity or charities privately without the knowledge of their employer or pension scheme administrator.

1.7 The employer or pension scheme administrator deducts the amount directed from the pay of the donor and pays that money to the PGA. The PGA then distributes the amounts received, to charities in accordance with the wishes of the donor, within 60 days. The payments are subject to a small administrative charge agreed under the contract between the PGA and the employer or pension scheme administrator.

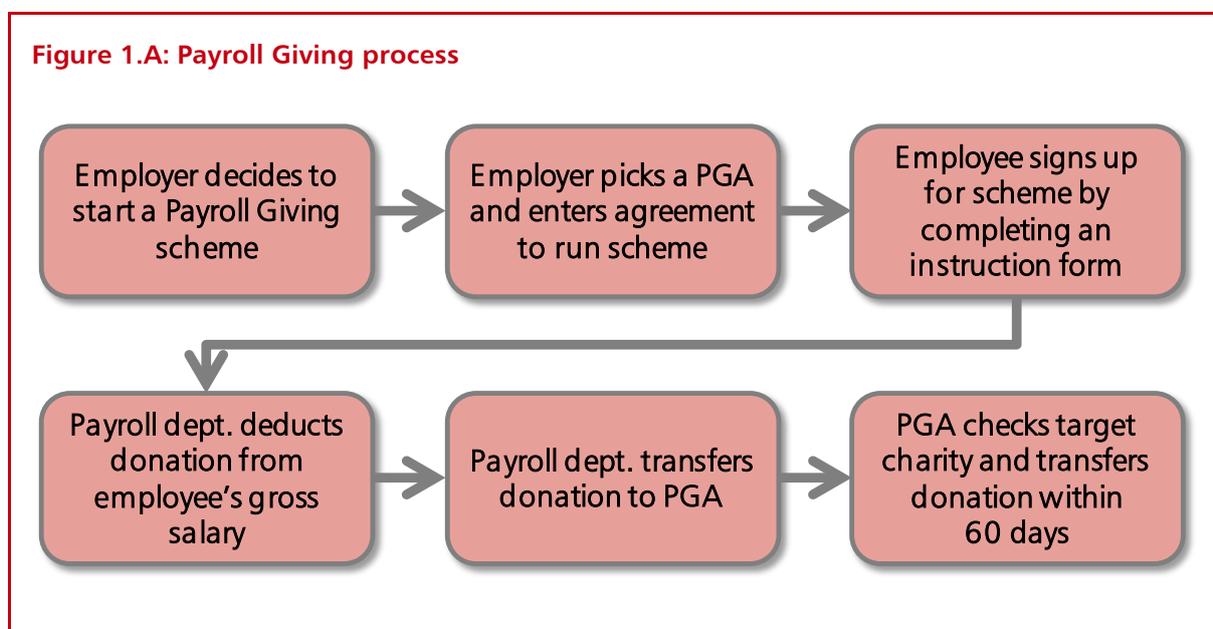
¹ Review of Payroll Giving, commissioned by the Institute of Fundraising, 28 May 2008

1.8 The PGA discloses the identity of the donor to the recipient charity only if the donor agrees to this. Disclosing the identity of the donor enables the charity to build up a direct relationship with the donor and perhaps increase the donor's giving through other ways of giving. However, some donors prefer to remain anonymous because they don't want to receive more requests for donations from the charity. Payroll giving is the only tax-effective method of giving where the donor can retain their anonymity.

1.9 HMRC approves and regulates PGAs.² The contract between the PGA and employer or pension scheme administrator must be approved by HMRC.

1.10 Employers can contract with several PGAs, if they wish. The PGAs are responsible for ensuring that the charity selected by the donor will use the donation for charitable purposes. Some PGAs specialise in promoting one or more specific charities. However, all PGAs must offer donors the opportunity to donate to any charity of their choice, subject to the condition that the money is used for charitable purposes.

1.11 In some cases, employers allow Professional Fundraising Organisations (PFOs) access to their employees in the workplace to promote Payroll Giving. PFOs are commercial organisations contracted by charities to promote their cause, and secure donations through Payroll Giving to the charities in their portfolio.



Why isn't Payroll Giving used more widely?

1.12 The Government has received feedback from PGAs, charities and individuals who have identified what appear to be a number of inter-related reasons, or perceived barriers, that prevent Payroll Giving reaching its full potential. These are:

- **Limited promotion of Payroll Giving by charities.** Charities do not normally prioritise Payroll Giving as part of their fundraising strategy. At present, many charities prefer to promote other modes of fundraising including, for example, seeking regular donations through direct debit with Gift Aid added.³ Reasons include the lack of opportunity to build a direct relationship with the donor (as donors can remain

² Charitable Deductions (Approved Schemes) Regulations 1986

³ Under Gift Aid, for every £1 donated the charity can receive £1.25. If they are a higher rate taxpayer, the donor can also claim relief on the difference between their marginal (higher or additional) rate of tax and the basic rate of tax on their donation.

anonymous under Payroll Giving) and the long time lag between the money donated and the charity receiving the money. Payroll Giving is also the only way for an individual to give money to charity under which the donor gets full tax relief on the donation, rather than sharing the tax relief with the charity.

- **Lack of promotion by employers of Payroll Giving.** Decisions over Payroll Giving, such as whether to join or not, which PGAs to choose and so on, often fall within the employer's HR department, and this work is often seen as a distraction to their day to day business. This lack of leadership often results in low take-up by employers and, even where an employer offers Payroll Giving, low take-up by potential donors.
- **Growth of alternative modes of giving.** New forms of giving, which include direct debit, online, ATM and mobile phone giving, are emerging. These new modes of giving are more flexible than Payroll Giving and offer donors a simple interface, and transfer money to charities quickly, making it much more attractive to donors than Payroll Giving processes, which are seen by some as cumbersome. Many donors are motivated to give under Gift Aid because they want to maximise the amount that goes to the charity.⁴
- **Processes employed by PGAs.** Even when employers offer a Payroll Giving scheme, it can be difficult to access and navigate. Both donors and charities can find the systems and processes involved unwieldy because paper forms still constitute the majority of PGA processes. Also many employers remain uncertain about how to facilitate online donations and joined-up solutions to digitise the process do not appear to be widely available.
- **Lack of portability.** When donors change employers, they have to re-register with their new employer's Payroll Giving scheme. Inevitably, this leads to some attrition in the number of donors through inertia, conscious decisions to discontinue, or lack of a Payroll Giving scheme on offer by the new employer. It is estimated by the sector that this loss amounts to £6-7 million a year⁵ and that, of those dropping out, 60-70 per cent would be happy to continue to donate.

Why does the Government wish to improve Payroll Giving?

1.13 The UK is the second most generous nation in the world for giving to charity, with £11 billion being donated in 2010-11⁶, up 2 per cent on the previous year. Almost 6 in 10 adults, equivalent to 29.5 million people, donated to charitable causes, mostly giving either cash or via direct debit. The Government is keen to see as many channels of giving available and working well as possible, with effective support through the tax system where appropriate.

1.14 Payroll Giving is one of a number of channels available for giving, and complements other methods such as Gift Aid and gifts of shares and land and property. The workplace has a key role in introducing people to the idea of regular charitable giving and supporting their chosen causes. Payroll Giving may be the first step to encourage a donor to engage more closely with a charitable cause, including making donations directly to the charity under Gift Aid and volunteering. The Government is therefore keen to explore ways to increase both the number of employers offering schemes, and the number of employees giving to charity through Payroll Giving.

⁴ Gift Aid donor research: Exploring options for reforming higher-rate relief December 2009
http://webarchive.nationalarchives.gov.uk/+http://www.hm-treasury.gov.uk/psr_giftaid_higherraterelief.htm

⁵ Review of Payroll Giving, 28 May 2008 and Report to support the proposal for portability of payroll giving (IOF, June 2007)

⁶ UK Giving 2011: An overview of charitable giving in the UK 2010-11, December 2011, NCVO and CAF

1.15 Since Payroll Giving was introduced, the number of donors has tripled. Yet Payroll Giving is still a very modest share of giving, with just 735,000 employees donating £118 million through Payroll Giving in 2011-12.⁷ Currently only two per cent of employers offer Payroll Giving schemes with just three per cent of the workforce donating through this mechanism. Payroll Giving has, therefore, a huge potential to increase giving – commentators in the sector have estimated that if the number in the workforce could be increased to 10 per cent by 2015 it could lead to an additional £180 million a year in donations.⁸

Table 1.A: Numbers of donors and amounts donated⁹

Year	Donors (000s)	Amount donated (£m)
2005-06	605	85
2006-07	644	89
2007-08	758	109
2008-09	754	104
2009-10	724	106
2010-11	720	114
2011-12	735	118

1.16 Evidence from the voluntary sector¹⁰ suggests that men (particularly those aged 31-45) are substantially more likely to give through Payroll Giving than via other routes. The average amount donated through Payroll Giving is also higher than through most other forms of giving: an increase in Payroll Giving may, therefore, lead to additional charitable giving overall.

1.17 On 19 March 2012, the Government circulated a blueprint to Payroll Giving Agencies (PGAs) challenging them to develop reforms capable of delivering: improved connectivity between donors and charities; efficient processing of transactions; easier access for donors and employers to sign up to schemes; better portability; transparency and greater take-up by employers.

1.18 Six responses were received from existing PGAs, who largely argued for changes to the existing system, such as a reduction in the maximum payment period from 60 days to 30 days. The most radical suggestion received was for a time-limited licence to be let to a super-PGA: a single operator who would administer the registration of employers and donors, collect donations, and disburse payments to charities.

1.19 Given that the market for Payroll Giving cannot be said to have reached its full potential, and given the growth of technology and innovation that has happened in the giving environment over the past decade (a trend that is likely to continue), it is essential that the next decade of Payroll Giving is characterised by PGAs that embrace new technologies, to ensure that Payroll Giving is made as dynamic, appealing and as cost effective as possible to donors, employers and charities. This is unlikely to occur under a single monopolistic provider.

1.20 In reviewing the system it was apparent to the Government that Payroll Giving has not fully moved with the times and that the regulations and system put in place 25 years ago need updating. There are a number of aspects of the current regulations and practice that we believe could be improved to make the system simpler, more efficient and open. In addition, we believe that opening up the supply of Payroll Giving services to new operators, including commercial

⁷ UK Charity Tax Relief Statistics 1990-91 to-2011-12, Table10.8, HMRC

⁸ The Philanthropy Review, published June 2011

⁹ UK Charity Tax Relief Statistics 1990-91 to-2011-12, Table10.8, HMRC

¹⁰ Review of Payroll Giving, commissioned by the Institute of Fundraising, 28 May 2008

operators, has the potential to drive down costs, result in technological change and innovation that leads to better services for donors, employers and ultimately charities. Chapter 2 outlines our proposals for reform.

The role of Government in Payroll Giving

1.21 The role of Government is not to provide all the answers necessary to make sure Payroll Giving reaches its full potential. This is a joint responsibility for which all parties involved must play their part. Employers clearly have a role in promoting Payroll Giving amongst their staff; charities too have a role to play in promoting Payroll Giving alongside other channels for donating. The Government can, however, ensure that the regulatory framework is sound and that agents can, and do, operate according to this framework.

1.22 Whilst the Government can provide a regulatory framework that will enable dynamism and demand high performance, it can only support the Payroll Giving landscape and encourage leadership amongst employers and the PGAs.

1.23 The Government does not believe that it should be mandatory for employers to offer Payroll Giving. It should instead be a choice for employers, taking into account the demands from their employees and the costs associated with enrolling the system.

1.24 As mentioned above the Government is committed to raising levels of Payroll Giving. The system has provided substantial amounts to charities but it has not worked as well as it could. So in the next chapter we set out how we think the system could be reformed, both to increase take-up and make it a social norm to give through the scheme.

2

Reform of Payroll Giving

2.1 The Payroll Giving system was set up 25 years ago. Over this period, while the world has moved on at a fast pace, the Payroll Giving rules have not been adjusted to reflect new technology and new ways of sharing information.

2.2 The Government is minded to look at ways to help increase the level of Payroll Giving.

Box 2.A: Question 1

Do you agree that there is scope to improve Payroll Giving to increase the number of:

- employers offering a Payroll Giving scheme
- donors using Payroll Giving

to lead to additional giving overall, without affecting other forms of giving, such as donations made under Gift Aid?

What would you recommend to increase these numbers?

2.3 The Government is minded to look at the rules applying to Payroll Giving in a number of ways. These include opening up the market to non-charities, introducing requirements around transparency and reducing the time Payroll Giving Agencies (PGAs) can take to distribute the donor's money.

2.4 The Government also recognises that it has a responsibility as one of the largest employers in the country to lead by example on Payroll Giving, and plans to follow best practice in the operation and take up of Payroll Giving.

Opening up the market to new operators

2.5 Current regulations require PGAs to be registered charities. This was intended to protect the interests of charities that receive donations through Payroll Giving. PGAs provide an administrative function in processing Payroll Giving and in validating charities. The intermediary PGA also enables a donor to make their donations privately without their employer or pension provider knowing which charities the donor supports. That means an employer cannot pressurise an employee into supporting a charity which they would not choose to support.

2.6 It is not clear that the requirement for PGAs to have charitable status is necessary. Over the past decade, new non-charitable organisations have emerged that have changed the landscape of giving by introducing new ways of donating and applying their commercial acumen to fundraising, whilst safeguarding the interests of charities and donors.

2.7 The Government believes that one way to improve Payroll Giving is through greater supply, by widening the market to make it more open and competitive. This has the potential for reducing costs, driving greater technological change bringing more investment, dynamism and innovation to the market and enabling it to keep pace with new ideas. Greater competition is

also likely to better serve the needs of the market by improving the service for donors, employers and, ultimately, the recipient charities. The Government also believes the lack of market forces has contributed to the lack of investment and development in the scheme. It is, therefore, considering updating the Payroll Giving scheme by opening up the sector to allow commercial organisations to enter it.

Box 2.B: Question 2

Do you agree that non-charitable organisations should be allowed to enter the Payroll Giving Agency market to improve the supply side of the sector?

If non-charities are allowed to enter, how do we ensure a level playing field between participants?

Time period for money to be transferred to charities

2.8 At present, PGAs must pay the donations to the charity within 60 days from the time when the money is received by the PGA or, if later, the date on which it receives notification of the charity or charities specified by an employee.

2.9 We believe that, given advances in technology over recent years, this time is unjustifiably long and propose that the time limit should be reduced to 30 days.

Box 2.C: Question 3

Do you agree that the maximum time between the PGA receiving the money or the notification from the employer / pension scheme administrator and the PGA paying the money to the charity should be reduced from 60 to 30 days?

Is 30 days the right target to aim for and do you see any disadvantages in reducing the time limit?

Standardisation of forms used

2.10 At present, each PGA uses a different form for enrolling employers, and requests information in different ways. The information that employers must provide to each PGA is also different. This can be a barrier for employers switching PGAs. The transfer form containing employees' existing payroll giving instructions, which is also provided to departing employees to pass onto the new employer as an instruction to set up a new Payroll Giving arrangement, also differs.

2.11 We believe that standardisation could help facilitate data exchanges and make the market work more efficiently and prevent donors falling out of Payroll Giving as they move employers. Standardising the forms will need to involve a co-operative effort from existing PGAs and charities, as well as the views from large employers operating Payroll Giving schemes.

Box 2.D: Question 4

Do you believe that Payroll Giving forms for donors and employers should be standardised?

Within 30 days of a PGA receiving notice that an employee has left a company, or when a PGA hasn't received a donation from a regular donor, should the PGA write out to the donor with:

- a standardised new enrolment form for Payroll Giving for them to complete and pass to their new employer?
- a direct debit / Gift Aid form made out to their existing charity?

In the absence of any notification of leaving, how long should a PGA wait before writing out to the donor? Would a period of three months be appropriate?

Should the PGA also contact the charity informing them of the employee and their pending, or assumed, departure, allowing the charity to contact them directly (where the donor has given consent for their details being passed)?

What else can charities, PGAs and other stakeholders do to ensure that when a donor moves job they maintain their charitable giving relationship?

Transparency in charges

2.12 The current system involves PGAs and often Private Fundraising Organisations (PFOs) in the process, both of which charge fees for their services. Clearly it would be impossible to run the Payroll Giving scheme without incurring administrative charges and normally the administrative charges of the PGA are paid for out of the donations themselves, although some employers pay the administrative fees on behalf of their employees. The amount charged is normally a few per cent of the amount of the donation.

2.13 PFOs normally charge the recipient charity a fee for signing up a new donor.

2.14 At present, depending on the PGA, donors can be unaware of the costs involved in processing Payroll Giving. Although a £10 donation to charity only costs a higher rate taxpayer £6, (or £8 for a basic rate taxpayer), the charges from PGAs and PFOs can often deplete the financial benefits from Payroll Giving.

2.15 Transparency about the fees charged by all agents involved in the Payroll Giving process is critical to allow employers and donors to make an educated decision as to what the best giving option is for them and the charities they support. This also has the potential to make the system more efficient and drive charges down.

2.16 PFOs are required to disclose to a donor how much they charge for enrolling the donor in a Payroll Giving scheme under the Charities Act 1992, as amended by the Charities Act 2006. As new commercial PGAs may also come under this legislation, we are minded to introduce a requirement for all PGAs, including charities, to tell donors and potential donors how much they charge to operate Payroll Giving including any costs to charities. This will ensure a level playing field between providers.

Box 2.E: Question 5

Whilst respecting confidentiality, how can we require agencies to be more open and transparent in relation to their data on participation of employers, donations, fees and length of processing times?

What other information would be most useful to employers, charities and donors in relation to Payroll Giving Agencies?

How can this information be made most accessible to interested parties?

Future regulation of the sector

2.17 If non-charities were to enter the market, there is a choice to be made between a voluntary code of conduct or statutory regulation for any additional requirements on transparency, co-operation and standardisation. At present HMRC registers and regulates PGAs. They establish whether a charity making an application to become a PGA has the correct systems and processes in place and all their forms are sufficiently clear. They continue to work with PGAs once they are established to make sure their processes continue to operate correctly. However, at present, the only penalty HMRC can impose for non-compliance with the regulations is to remove the organisation's status as a PGA.

2.18 With a wider range of organisations operating in the market, there is a question whether HMRC needs a broader range of powers to ensure compliance by PGAs without resorting to a complete removal of the PGA's status. Alternatively, a form of self-regulation could be proposed to ensure standards are maintained by operators in the market, such as a voluntary code of conduct. Further, the regulations governing PFOs, as set out at 2.16, would apply to non-charitable PGAs, as they do to all other private sector organisations raising funds for charities. Therefore future regulation will also need to ensure consistency between different regulatory requirements and to ensure a level playing field between different types of organisations.

Box 2.F: Question 6

What activities of PGAs would be suitable for self-regulation and what activities, if any, should be subject to statutory regulation?

Do you have any views on the assessment of impacts made at Annex A? How do you think reforms to the regulations around Payroll Giving will affect the take-up?

Presentation and promotion of Payroll Giving

2.19 In the Giving White Paper, published in May 2011, it was suggested that the Government would conduct a year-long publicity campaign around Payroll Giving. Having listened to the sector, however, it became clear that it is important to make the system as effective as possible before undertaking further promotional work. It is acknowledged that changes in the rules will not be enough on their own and other means of encouraging the uptake and promotion of Payroll Giving are also being explored.

2.20 For example, the Cabinet Office is currently working with companies and their employees to trial auto-enrolment (whereby new employees are automatically signed up for Payroll Giving), automatic escalation of donations (so that the value of a donation is not eroded by inflation), and prompt feedback to employees demonstrating the practical impact their donations have made.

2.21 Further work will be done through the Innovation in Giving Fund to look for innovative ways to improve Payroll Giving and other ways of giving within the workplace.

2.22 Current HMRC guidance on Payroll Giving emphasises how the Payroll Giving reduces the overall cost of a donation to the donor. Gift Aid phrases its guidance around how extra money is added to your donation when you sign a Gift Aid declaration, which increases the amount that goes to charity.

Box 2.G: Question 7

Do you agree that HMRC specifically and HMG in general should re-phrase its advice on Payroll Giving to emphasise the increased gift to charities rather than the decreased cost to the donor?

Do you agree that HMG should encourage PGAs, PFOs and charities to present this scheme in the same manner to ensure a consistent message?

Do you have any suggestions about what more Government can do to promote Payroll Giving?

Increasing charitable giving in the workplace

2.23 Charities are at the heart of our ambition to build the Big Society enabling people to play an active role in their community. To help support this, the Government is committed to increase the levels of charitable giving and volunteering through the workplace.

2.24 As Payroll Giving is the established scheme for workplace giving this consultation documents has focussed on what improvements we can make to this area. We are however, open to other suggestions about how workplace giving could be increased, and welcome your views on what form these might take.

Box 2.H: Question 8

How else can we increase amounts of charitable involvement in the workplace beyond Payroll Giving?

Mindful that other approaches could distract from Payroll Giving, how do we ensure that overall charitable giving increases?

3

Summary of questions

3.1 The Government welcomes views on the following questions:

Question 1

Do you agree that there is scope to improve Payroll Giving to increase the number of:

- employers offering a Payroll Giving scheme
- donors using Payroll Giving

to lead to additional giving overall, without affecting other forms of giving, such as donations made under Gift Aid?

What would you recommend to increase these numbers?

Question 2

Do you agree that non-charitable organisations should be allowed to enter the Payroll Giving Agency market to improve the supply side of the sector?

If non-charities are allowed to enter, how do we ensure a level playing field between participants?

Question 3

Do you agree that the maximum time between the PGA receiving the money or the notification from the employer / pension scheme administrator and the PGA paying the money to the charity should be reduced from 60 to 30 days?

Is 30 days the right target to aim for and do you see any disadvantages in reducing the time limit?

Question 4

Do you believe that Payroll Giving forms for donors and employers, should be standardised?

Within 30 days of a PGA receiving notice that an employee has left a company, or when a PGA hasn't received a donation from a regular donor, should the PGA write out to the donor with:

- a standardised new enrolment form for Payroll Giving for them to complete and pass to their new employer?
- a direct debit / Gift Aid form made out to their existing charity?

In the absence of any notification of leaving, how long should a PGA wait before writing out to the donor? Would a period of three months be appropriate?

Should the PGA also contact the charity informing them of the employee and their pending, or assumed, departure, allowing the charity to contact them directly (where donor has given consent for their details being passed)?

What else can charities, PGAs and other stakeholders do to ensure that when a donor moves job they maintain their charitable giving relationship?

Question 5

Whilst respecting confidentiality, how can we require agencies to be more open and transparent in relation to their data on participation of employers, donations, fees and length of processing times?

What other information would be most useful to employers, charities and donors in relation to Payroll Giving Agencies?

How can this information be made most accessible to interested parties?

Question 6

What activities of PGAs would be suitable for self-regulation and what activities, if any, should be subject to statutory regulation?

Do you have any views on the assessment of impacts made at Annex A? How do you think reforms to the regulations around Payroll Giving will affect the take-up?

Question 7

Do you agree that HMRC specifically and HMG in general should re-phrase its advice on Payroll Giving to emphasise the increased gift to charities rather than the decreased cost to the donor?

Do you agree that HMG should encourage PGAs, PFOs and charities to present this scheme in the same manner to ensure a consistent message?

Do you have any suggestions about what more Government can do to promote Payroll Giving?

Question 8

How else can we increase amounts of charitable involvement in the workplace outside of Payroll Giving?

Mindful that other approaches could distract from Payroll Giving, how do we ensure that overall charitable giving increases?

4

How to respond to this consultation

4.1 This consultation is being conducted in line with the Tax Consultation Framework. There are five stages to tax policy development:

- Stage 1 Setting out objectives and identifying options;
- Stage 2 Determining the best option and developing a framework for implementation including detailed policy design;
- Stage 3 Drafting legislation to effect the proposed change;
- Stage 4 Implementing and monitoring the change; and
- Stage 5 Reviewing and evaluating the change.

4.2 This consultation is taking place during Stage 2 of the process. The purpose of the consultation is to seek views on the best policy options to achieve the intended policy effect with no unintended effects.

How to respond

4.3 A summary of the questions in this consultation is included in Chapter 3.

4.4 Responses should be sent by Friday 19 April by e-mail to:

PayrollGivingConsultation@hmtreasury.gsi.gov.uk

or by post to:

Payroll Giving Consultation,
Edward Johnson,
Personal Tax Team, PTWP,
HM Treasury,
1 Horse Guards Road,
London,
SW1A 2HQ

4.5 Paper copies of this document or copies in Welsh and alternative formats (large print, audio and Braille) may be obtained free of charge from the above address. This document can also be accessed from the HM Treasury website at <http://www.hm-treasury.gov.uk>

4.6 All responses will be acknowledged, but it will not be possible to give substantive replies to individual representations. When responding please say if you are a business, individual or representative body. In the case of representative bodies, please provide information on the number and nature of people you represent.

Confidentiality

4.7 Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes. These are

primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004.

4.8 If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals with, amongst other things, obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on HM Treasury (HMT).

4.9 HMT will process your personal data in accordance with the DPA and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

Consultation Principles

4.10 This consultation is being run in accordance with the Government's Consultation Principles.

4.11 The Consultation Principles are available on the Cabinet Office website:
<http://www.cabinetoffice.gov.uk/resource-library/consultation-principles-guidance>

4.12 If you have any comments or complaints about the consultation process please contact:

Consultation Coordinator,
Budget Team,
HM Revenue & Customs,
100 Parliament Street,
London,
SW1A 2BQ

E-mail: hmrc-consultation.co-ordinator@hmrc.gsi.gov.uk

4.13 Please do not send responses to the consultation to this address.

A

Summary of impacts

A.1 A draft assessment of the impact of the proposed changes to the Payroll Giving regulations is set out below. A full impact assessment will be completed alongside final proposals for reform. Evidence to support the impact of any proposals in this consultation would be welcomed from respondents.

Who is likely to be affected?

A.2 These proposals relate to Payroll Giving Agencies, organisations considering becoming Payroll Giving Agencies, employers and pension schemes offering Payroll Giving to their staff and members, charities and donors.

General description of the measure

A.3 Payroll Giving is a form of tax-effective charitable giving that enables employees and pension scheme members to give to charity via their employer or pension scheme provider. Donations are deducted before income tax is applied, so donors receive relief at their marginal rate. Donations are passed by the employer or pension scheme to a Payroll Giving Agency, who distributes the donations to charities in accordance with the donor's instructions.

A.4 Payroll Giving was introduced in 1987 and use of the relief has reached a plateau in recent years. Government would like to see the take-up increase.

What are the policy objectives and the intended effects?

A.5 Payroll Giving has a relatively low take-up compared to other forms of tax-effective giving and there may be scope to increase its use. Feedback from stakeholders has highlighted some concerns around the role of Payroll Giving Agencies in the process. Lack of awareness of the relief and lack of promotion in the workplace have also been identified as barriers to wider take-up.

A.6 The policy objective is to ensure there are no significant or unnecessary barriers to the use of Payroll Giving, with the intended effect being a wider take-up of the relief, with more charitable donations being given overall.

Background to the measure

A.7 A number of measures have been taken over the last decade to increase the take-up of Payroll Giving, but none have had a significant or lasting effect. Ministers challenged Payroll Giving Agencies in 2012 to come up with proposals to improve the processing of donations.

A.8 Having reviewed the viable proposals arising from this exercise, the Government is now launching a wider consultation on the options for improving the process for Payroll Giving and for encouraging its wider take-up.

Detailed proposal

A.9 This consultation sets out a number of areas where the process for Payroll Giving could be improved. The first is removing the requirement that a PGA must be a charity. This is intended to

allow a wider range of organisations into the Payroll Giving market that could bring new and innovative practices and so drive up competition and standards. Other areas for improvement discussed in the consultation include reducing the time a PGA can take to pass on the donations to charities once they have received them from employers, greater transparency in fees and charges and standardisation of forms.

A.10 If changes to these areas are taken forward then there will be some impacts on the Payroll Giving Agencies and employers and pension schemes that offer Payroll Giving.

A.11 The consultation also discusses the promotion of Payroll Giving and wider measures to directly drive its take-up, but does not make specific proposals in these areas.

HM Treasury contacts

This document can be found in full on our website: <http://www.hm-treasury.gov.uk>

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