

Remembering a Charity in your Will

Many industries are feeling the effects of the economic downturn caused by Covid-19, and the charity sector has not been spared in this regard. Charities of all sizes are facing the real prospect of possible collapse, but most at risk are the local charities particularly dependant on fundraising events and income from shops that have been forced to close during lockdown.

The Coronavirus crisis has seen increased demand for services from many charities at a time when their income has dropped significantly, and the £750 million support package announced by the Treasury on 8 April has been said to do little to compensate for the billions of pounds the sector as a whole has lost out on. With the restrictions on social distancing set to continue for the foreseeable the difficulties being experienced by charities look set to continue.

Additionally, research organisation Legacy Foresight has predicted that income received by charities from legacies could decrease as much as 27% this year, as a result of the pandemic. This would be devastating to the sector which had seen year on year growth in legacy income in previous years, receiving £3.2 billion in 2019.

National and local charities, such as local charity Sobell House, depend heavily on such donations. Here is what Sobell House has to say about the importance of legacies.

‘Leaving a gift in your Will to Sobell House, however small or large, has the power to make a huge difference’

- Lorraine Pink, Head of Fundraising, Sobell House

Sobell House is an adult hospice caring for people who are living with a life-limiting illness in Oxfordshire.

At any given time, we will be caring for over 500 people, in the Hospice, across the main Oxfordshire hospitals and in patients’ homes. We also extend our support to their loved ones which includes bereavement support once that patient has died.

Like many charities, we have experienced a huge reduction in income due to the cancellation of fundraising events and the closing of our retail shops as a result of the Covid-19 pandemic. But the need for our service has not reduced and our aim of providing the best possible quality of life for our patients, making every precious moment count and giving someone a dignified, peaceful death has not changed.

Legacies of all sizes over the last 40 plus years have helped Sobell House provide specialist, compassionate care for thousands of patients and their families. They don’t just help us fund the day-to-day care but also enable us to plan for and fund large projects, such as the recent extension at the Hospice



In these uncertain times, having an up to date Will and Lasting Powers of Attorney in place is more important than ever. Benefiting charities in your Will is a great way to support your chosen organisations in the future, when you may be finding it difficult to donate at the moment. Gifts to charities are themselves exempt from IHT, whereas, gifts to individuals, aside from a spouse or civil partner, will incur tax above the Nil Rate Band of £325k, subject to any additional exemptions or reliefs.

Not only is it a wonderful gesture to remember a charity close to you, there is also an Inheritance Tax (IHT) incentive. In April 2012, the government introduced a reduced rate of IHT for estates which leave more than 10% of the net value (taxable estate for IHT) to charity. This reduced IHT rate stands at 36% above any available nil rate bands, compared to the usual 40% rate. Gifts in Wills can be drafted, so, that, on death the correct amount is given to charity to qualify for this relief, notwithstanding any fluctuations in the estate's value from when the Will was made and the Will coming into effect.

With a professionally drafted Will, it is possible to increase the amount left to charity whilst preserving the amount that would otherwise be left for non-exempt beneficiaries.

By way of example, Beatrice is unmarried and has no children. She has an estate of £1 million. There is no IHT to pay on the first £325,000 and so the net taxable estate is £675,000. Compare the following charitable donations to see how by increasing the charitable gift, the IHT bill is reduced and your remaining beneficiaries receive the same amount.

Charity Gift in a Will	4%	10%
Charity receives	£27,000	£67,500
IHT	40% rate is £259,200	36% rate is £218,700
Non-exempt beneficiaries receive	£713,800	£713,800

There is no added IHT benefit to non-exempt beneficiaries if more than 10% of an estate is given to charity, because the IHT savings decrease as a proportion of the donation(s).

Gifts made to a charity in lifetime are also tax free and, in addition, Gift Aid will enable to donor to claim tax relief at their marginal rate for income tax purposes. Income tax relief is also available on gifts to charities of land and buildings in the UK or shares quoted on the Stock Exchange.

Should you wish to include a charitable bequest in your Will, or talk to a member of the team regarding your estate planning, please contact Daniel Boyle on 07811 744 680.



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