About the authors

Tom McKenzie is a research officer specialising in economic analysis. At CGAP he focuses on patterns of giving in the UK using national household survey data. Tom graduated with a degree in economics from the University of Bonn and taught personnel economics at the University of Cologne before joining Cass Business School in 2009.

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About CGAP

The ESRC Centre for Charitable Giving and Philanthropy (CGAP) is the first academic centre in the UK dedicated to research on charitable giving and philanthropy. Three main research streams focus on individual and business giving, social redistribution and charitable activity, and the institutions of giving. CGAP is a consortium comprising Cass Business School, University of Edinburgh Business School, University of Kent, University of Southampton, University of Strathclyde Business School and NCVO.

CGAP’s coordinating ‘hub’ is based at Cass Business School. CGAP is funded by the ESRC, the Office for Civil Society, the Scottish Government and Carnegie UK Trust.

For further information on CGAP, visit www.cgap.org.uk

How does Gift Aid work?

Under the Gift Aid scheme, UK charities may claim 25p from the government for every pound donated, provided the donor is a taxpayer who has paid sufficient tax. That is equivalent to the tax paid on the gross income from which the donation was made (£1.25), assuming the donor pays the basic rate of income tax (20 per cent). So, if the donor wanted the charity to receive £1 altogether, she would in fact only have to donate 80p. In addition to the Gift Aid that the recipient charity can claim, donors on a higher marginal rate of income tax of 40 per cent (50 per cent) are eligible to reclaim the difference between this and the basic rate back from government themselves, i.e. 20 per cent (30 per cent) of the gross amount the charity receives, or 25p (37.5p) per £1 donated.

How much Gift Aid do charities claim and could they be claiming more?

Gift Aid was worth over £1 billion to charities in the fiscal year 2009/10.1 This amount corresponds to roughly £3.7 billion in donations before the tax is added.2 However, because of differing estimates of the total value of charitable giving in the UK, there is some confusion as to the proportion of donations that are Gift Aided and thus the slack left for charities to ‘cash in’. According to the Charities Aid Foundation and the National Council for Voluntary Organisations, £9.9 billion was donated to charity in 2008/09.3 That figure includes purchases of merchandise through charity shops and catalogues that do not generally qualify for Gift Aid.4 An estimate from the Living Costs

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Seasonal patterns in household giving in the UK
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One important reason why donations are high in the first quarter relative to the second is that time through factors such as increases in temporary employment and end-of-year bonuses, as there is a strong link between amounts given and level of income. In the next chart we consider the same data by month and this shows that there is a continuous increase in giving throughout the final quarter.

The peak in first-quarter giving

One important reason why donations are high in the first quarter relative to the second and third quarters may be the end of the tax year in early April. This could prompt some people to increase their donations at that time in order to make use of available tax reliefs. Some charities run specific campaigns to remind donors about the value of making their gifts before the end of the tax year, and financial advisors will also be encouraging clients to make use of tax relief options as they complete their tax returns.

It should be noted that particularly high donations were observed in February 2007. This may be due to the high level of growth generally reached in the economy in 2007, just before the signs of the impending credit crunch began to emerge.

Examining data from the national Expenditure and Food Survey (EFS), the paper looks at seasonal giving patterns by socio-economic group, as defined by the ‘Acorn’ classification used in much social and market research. In descending order of affluence, the groups are: ‘wealthy achiever’, ‘urban prosperity’, ‘comfortably off’, ‘moderate means’ and ‘hard-pressed’.

Interestingly, households on lower incomes appear to be particularly charitable towards the end of the year. The only socio-economic group where donations are significantly higher in the fourth quarter than the rest of the year is the ‘hard-pressed’ group. At £1.46 the average weekly donations from this group remain considerably lower than the average £3.20 for other groups in the last quarter, but nonetheless they are up by 71 per cent compared to the rest of the year.

The last chart shows trends in the net amount of tax (tax minus benefit) paid by the high-income ‘wealthy achiever’ households across the year. The average rises towards the end of the tax year, suggesting that this is a particularly good time to remind such donors of the advantages of tax reliefs.

Seasonal giving patterns by socio-economic group

More detailed comparison of monthly trends by socio-economic group supports this idea too as the data show that wealthier households, which are best positioned to take advantage of tax reliefs, give more in February and March. The following chart, which shows trends across the year amongst five different household types, as defined by the ‘Acorn’ classification used in much social and market research, does indeed show a distinctive high peak in giving in the early part of the year, higher than their giving at Christmas. A similar peak in giving is also shown amongst the ‘comfortably off’ households.

Donations by socio-economic group

Implications of the results

This briefing note has looked at the sensibility of charitable giving to seasonal effects, and provided hard evidence that there might be value for fundraisers in taking seasonal patterns into account when planning income generation initiatives, in order to increase the effectiveness of their targeting.

Less well-off people, a group that includes younger donors, appear extremely amenable to the idea of giving about getting. However, this may not be the best time for trying to persuade donors on high incomes to give, or to give more, early spring, when thoughts turn to tax, may be a more effective point for this group and their financial advisors. It may be one of the most timely opportunities for charities to do more to encourage wealthier donors to make their giving more efficient through using the available tax reliefs.

As charities and policymakers are currently debating the future of rebates to higher-rate tax-paying donors, and whether there are more effective alternatives, it might be particularly valuable to focus on tax-effective giving this year.

1 Covering the years 2001 to 2007 gave a total sample of 37,000 households.
2 All the comparisons reported in this briefing note relate to data converted to November 2009 pounds.
3 Numbers in the ‘urban prosperity’ group were rather small, and results for this group should not be given too much significance.
The data show two peaks in giving, one in the first quarter, and another in the final quarter. The peak towards the end of the year is likely due to charities’ fundraising appeals in the run-up to Christmas. It may also be due to people’s incomes rising at that time through factors such as increases in temporary employment and end-of-year bonuses, as there is a strong link between amounts given and level of income. In the next chart we consider the same data by month and this shows that there is a continuous increase in giving throughout the final quarter.

The peak in first-quarter giving

One important reason why donations are high in the first quarter relative to the second and third quarters may be the end of the tax year in early April. This could prompt some people to increase their donations at that time in order to make use of available tax reliefs. Some charities run specific campaigns to remind donors about the value of making their gifts before the end of the tax year, and financial advisors will also be encouraging clients to make use of tax relief options as they complete their tax returns. It should be noted that particularly high donations were observed in February 2007. This may be due to the high level of growth generally reached in the economy in 2007, just before the signs of the impending credit crunch began to emerge.

Donations by month

Seasonal giving patterns by socio-economic group

More detailed comparison of monthly trends by socio-economic group supports this idea too, as the data show that wealthier households, which are best positioned to take advantage of tax reliefs, give more in February and March. The following chart compares trend lines for average giving across the year amongst five different household types, as defined by the Acorn classification used in much social and market research. In descending order of affluence, the groups are: wealthy achieve, urban prosperity, comfortably off, moderately means and hard-pressed.

The most affluent ‘wealthy achievers’ group shows a distinctive high peak in giving in the early part of the year, higher than their giving at Christmas. A similar peak in giving is also shown amongst the ‘comfortably off’ households.

Donations by socio-economic group

Interestingly, households on lower incomes appear to be particularly charitable towards the end of the year. The only socio-economic group where donations are significantly higher in the final quarter than the rest of the year is the ‘hard-pressed’ group. At £1.46 the average weekly donations from this group remain considerably lower than the average £2.30 for other groups in the last quarter, but nonetheless they are up by 71 per cent compared to the rest of the year.

The last chart shows trends in the net amount of tax (tax minus benefit) paid by the high-income ‘wealthy achiever’ households across the year. The average rises towards the end of the tax year, suggesting that this is a particularly good time to remind such donors of the advantages of tax reliefs.

Net tax paid by wealthy achievers

Implications of the results

This briefing note has looked at the sensitivity of charitable giving to seasonal effects, and provided hard evidence that there might be value for fundraisers in taking seasonal patterns into account when planning income generation initiatives, in order to increase the effectiveness of their targeting.

Less well-off people, a group that includes younger donors, appear extremely amenable to persuasion about giving at Christmas. However, this may not be the best time for trying to persuade donors on high incomes to give, or to give more, early spring, when thoughts turn to tax, may be a more effective point for this group and their financial advisors. It may be one of the most timely opportunities for charities to do more to encourage wealthier donors to make their giving more efficient through using the available tax reliefs.

As charities and policymakers are currently debating the future of rebates to high-rate tax-paying donors, and whether there are more effective alternatives, it might be particularly valuable to focus on tax-effective giving this year.
The chart shows how the amount of Gift Aid claimed by charities has been increasing steadily in recent years (solid blue line). Had transitional relief not been granted, the amount would have been substantially lower in the tax years 2006/07 and 2007/08 (dashed blue line). The value of Gift-Aided donations would have fallen by 6 per cent in 2008, the Gift Aid charities could claim for a pound donated decreased from 28p to 25p.

The chart also shows that the extra 3p in the pound is withdrawn, there appears to have been an underlying moderate trend in the tax years 2008/09 and 2009/10 which would have indicated a more substantial fall in the amount that could be claimed for a pound donated.

References
Charities require a regular income throughout the year to fund their programmes. But do levels of giving remain constant, or are they affected by seasonal factors? An analysis of data on patterns of giving by season from the national Expenditure and Food Survey reveals that:

- the average weekly value of donations follows a slightly U-shaped trend across the year, varying considerably by quarter;
- lowest levels of giving are found in the summer months, when average weekly donating is down by 11% compared to the autumn and winter quarters;
- the higher amounts observed in the earlier part of the year are due mainly to gifts from wealthier households, and may be related to the end of the tax year in March/April;
- low-income households are particularly generous towards the end of the year and Christmas.

Patterns of giving by quarter

This briefing note presents results from an analysis of seasonal patterns in giving to charities. Different types of consumer spending are highly affected by seasonal trends, but how far is this true of charitable giving? Charities often need such information for predicting and planning their budgets and expenditure, and it is also useful for informing fundraising strategy.