DAF Perspectives for Advisors

Expertise and tools to help advisors deepen the philanthropic conversation

How Donating Shares to a Donor-Advised Fund (DAF) Can Help Your UK Clients

By John Canady, Chief Executive Officer

As the year-end tax deadline approaches in the UK, your clients can donate shares to their donor-advised fund (DAF). Donating appreciated shares is one of the most tax-effective ways your clients can be philanthropic. By giving in this way, your clients do not have to pay Capital Gains Tax (CGT) on the shares donated. If the donated shares are HMRC qualifying shares, your clients' taxable income will be reduced by the market value of the qualifying shares in the tax year of the donation. Your clients claim this income tax relief through their Self-Assessment tax return form.

In order to qualify for income tax relief, the shares or securities must be:

- Listed on the UK stock market or the Alternative Investment Market, or on a recognised stock exchange overseas
- Units in authorised unit trusts
- Shares in a UK open-ended investment company (OEIC)
- Holdings in certain foreign collective investment schemes

Gifts of unlisted or privately held shares and cryptocurrencies do not qualify for income tax relief, but your clients will not have to pay any CGT on the donation of these assets.

Setting up and using a DAF to gift appreciated shares has multiple benefits for your clients:

- **Maximising philanthropic capital:** Charities are not always able to accept assets other than cash donations. With a DAF, your clients may donate other types of assets including appreciated shares, tangible assets like property or art, and alternative investments such as private equity and hedge fund interests. Once assets are donated to the DAF, they are liquidated for grant making to your clients' chosen charities.

- **A convenient philanthropic solution:** Your clients may set up a DAF within days which can be very helpful in the case of liquidity event. Your clients might also need a timely structure before a tax deadline for instance. In addition, a DAF offers your clients a way to manage their giving centrally and get charitable tax relief each time they make a contribution to their DAF.

- **More time to decide which causes to support:** For many of your clients, the idea of ring-fencing an amount of capital for future giving is appealing. The pressure of deciding which charities to support can be overwhelming, especially during such times when other priorities might be competing. With a DAF, your clients may contribute shares to their DAF account when it makes the most sense from a tax planning perspective and then decide in their own time which charities to support.

For more information about how giving shares can help your clients and their philanthropy, or to talk to us about DAFs, please contact us.

John Canady, CEO of National Philanthropic Trust UK, has 25 years of experience working across the business, nonprofit and government sectors. He specializes in creating and managing philanthropic funds for donors and family offices around the world who wish to base their philanthropy from the UK.

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