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• CHARTERED CERTIFIED ACCOUNTANTS & TAX ADVISORS •

# **Tax Benefits of a Family Charitable Trust**

For Small and Medium Enterprises (SMEs)



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# **Introduction**

Emphasising the tax advantages and the wide range of benefits for SMEs that establish a family charitable trust. These benefits extend beyond finances, contributing to social responsibility, family unity, and a lasting legacy.



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# Tax Benefits of a Family Charitable Trust

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## Consolidation of Charitable Efforts

The trust unifies charitable efforts from various family-run SMEs into a singular entity, making a larger collective impact and streamlining the process of giving.

Company 1 - Smith's & Sons

- James Smith
- Kyle Smith

Company 2 - Sandra's Crafts

- Sandra Smith
- James Smith

Company 3 - Kyle's Removals

- Kyle Smith
- James Smith

Charitable donations

Charitable donations

Charitable donations

Smith's Charitable Trust

Charity Events

Charitable Donations

Donated Property



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## Tax-Deductible Contributions

The SMEs' contributions to the trust are typically tax-deductible, thus reducing the taxable income of these businesses and lowering their overall tax liability.

Company 1 - Smith's & Sons

- James Smith
- Kyle Smith

Company 2 - Sandra's Crafts

- Sandra Smith
- James Smith

Company 3 - Kyle's Removals

- Kyle Smith
- James Smith

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Tax Deductible Contributions

Tax Deductible Contributions

Tax Deductible Contributions

Smith's Charitable Trust

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Charity Events

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# Tax Benefits of a Family Charitable Trust

For Small and Medium Enterprises (SMEs)

## Capital Gains Tax Exemption (CGT)

By donating appreciated assets like stocks or property to the trust, SMEs can bypass capital gains tax on the increased value. This is particularly beneficial for assets that have considerably appreciated since their acquisition.

Company 1 - Smith's & Sons

- James Smith
- Kyle Smith

Company 2 - Sandra's Crafts

- Sandra Smith
- James Smith

Company 3 - Kyle's Removals

- Kyle Smith
- James Smith

CGT EXEMPT

Property Donations

Gemstones Donations

Stocks Donations

Donations Exempt from Capital Gains Tax

Smith's Charitable Trust

TAX FREE

Charity Events

Charitable Donations

Donated Property



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# Tax Benefits of a Family Charitable Trust

For Small and Medium Enterprises (SMEs)

## Inheritance Tax Benefits (IHT)

Contributions to the trust can decrease the taxable estate of the SME owners. The owners can potentially lower the value of their estate by transferring assets to the trust, leading to a reduction in Inheritance taxes upon their passing.

Company 1 - Smith's & Sons

- James Smith
- Kyle Smith

Tax Deductible Contributions



In the event of James Smith's passing, the estate of James Smith has reduced **Inheritance Tax**, due to meeting a threshold in contributions to their Charitable Trust.

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James Smith's Personal Assets

Donated on Death

Smith's Charitable Trust

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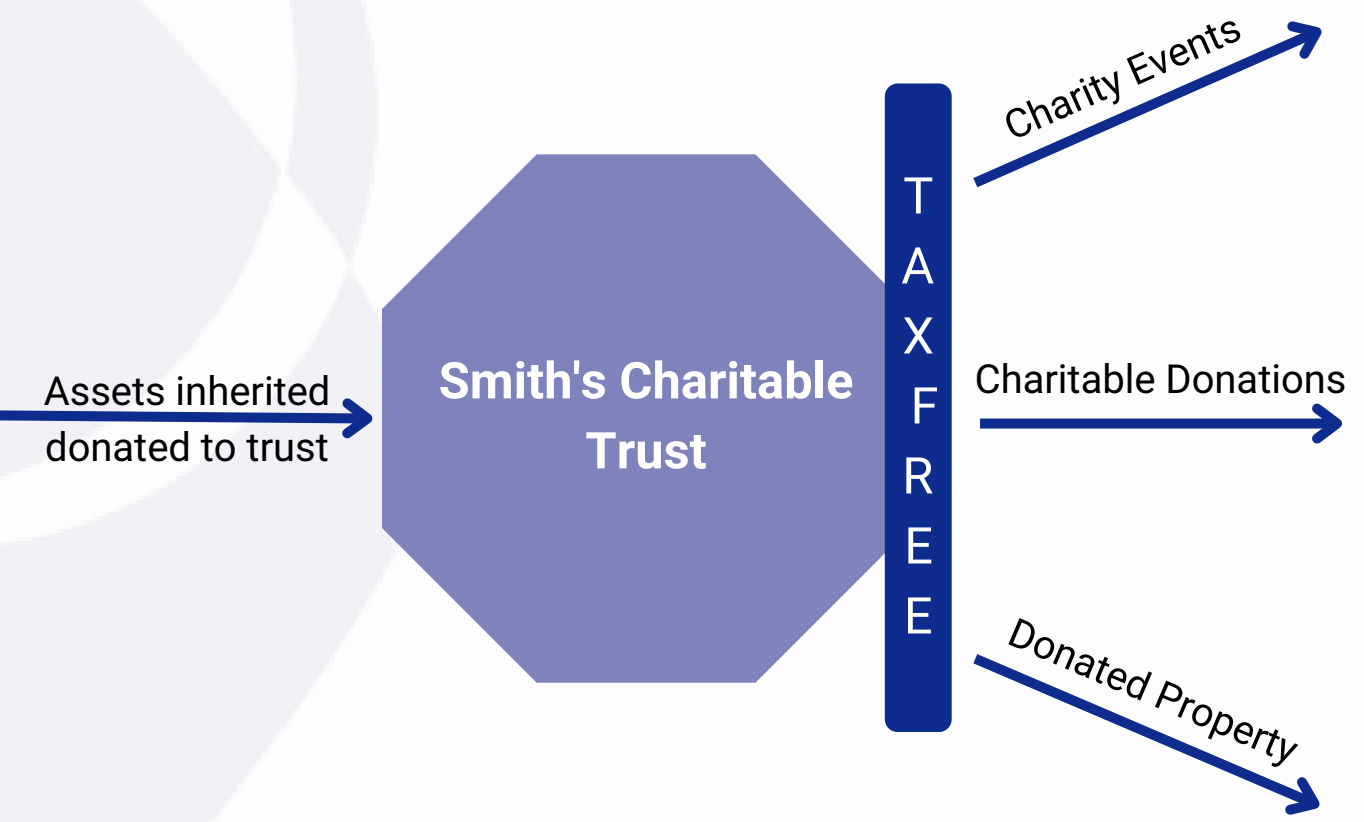
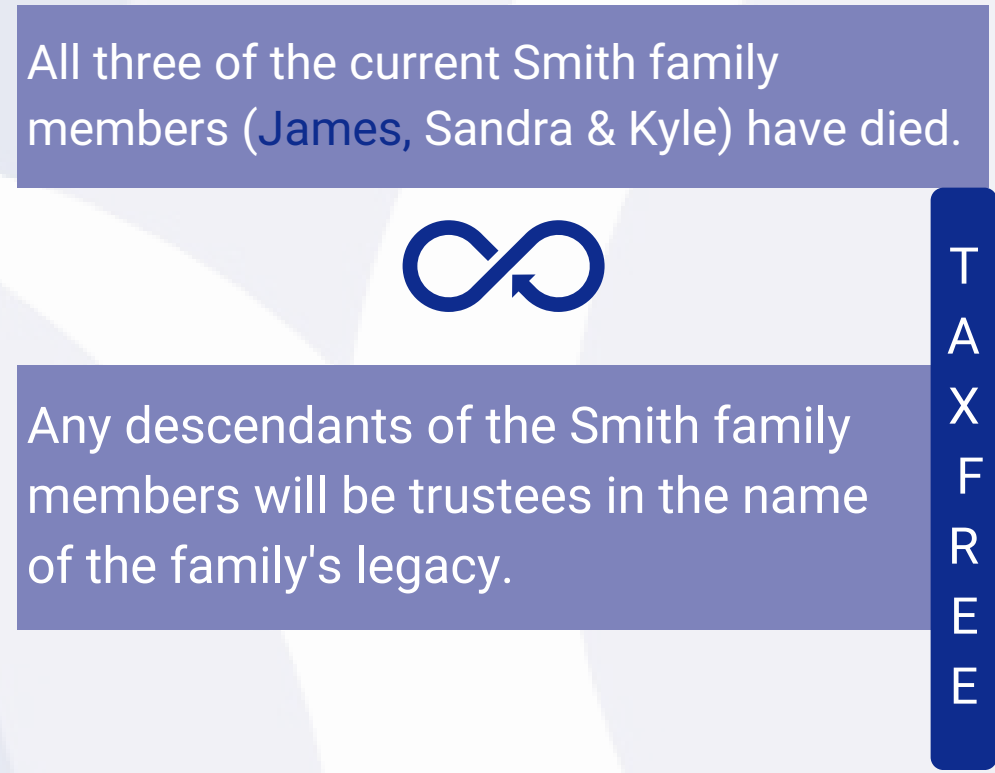
Charity Events

Charitable Donations

Donated Property

## Long-Term Charitable Legacy ∞

The trust can be set up to continue beyond the lifespan of current family members, providing a sustained charitable legacy that continues to support family-valued causes for generations.





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## Family Unity and Shared Purpose

The collective philanthropic effort through the trust can strengthen familial bonds, promote a sense of shared purpose, and offer meaningful opportunities for family members to work collaboratively towards a common goal. This also allows for a family to involve their children in meaningful charity work.

Company 1 - Smith's & Sons

- James Smith - Former
- Kyle Smith - Former



Company 2 - Sandra's Crafts

- Sandra Smith - Former
- James Smith - Former



Family Members and children are still associated to the **Family's Charitable Trust** despite the businesses being sold.

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Tax Deductible Contributions



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Charity Events

Charitable Donations

Donated Property





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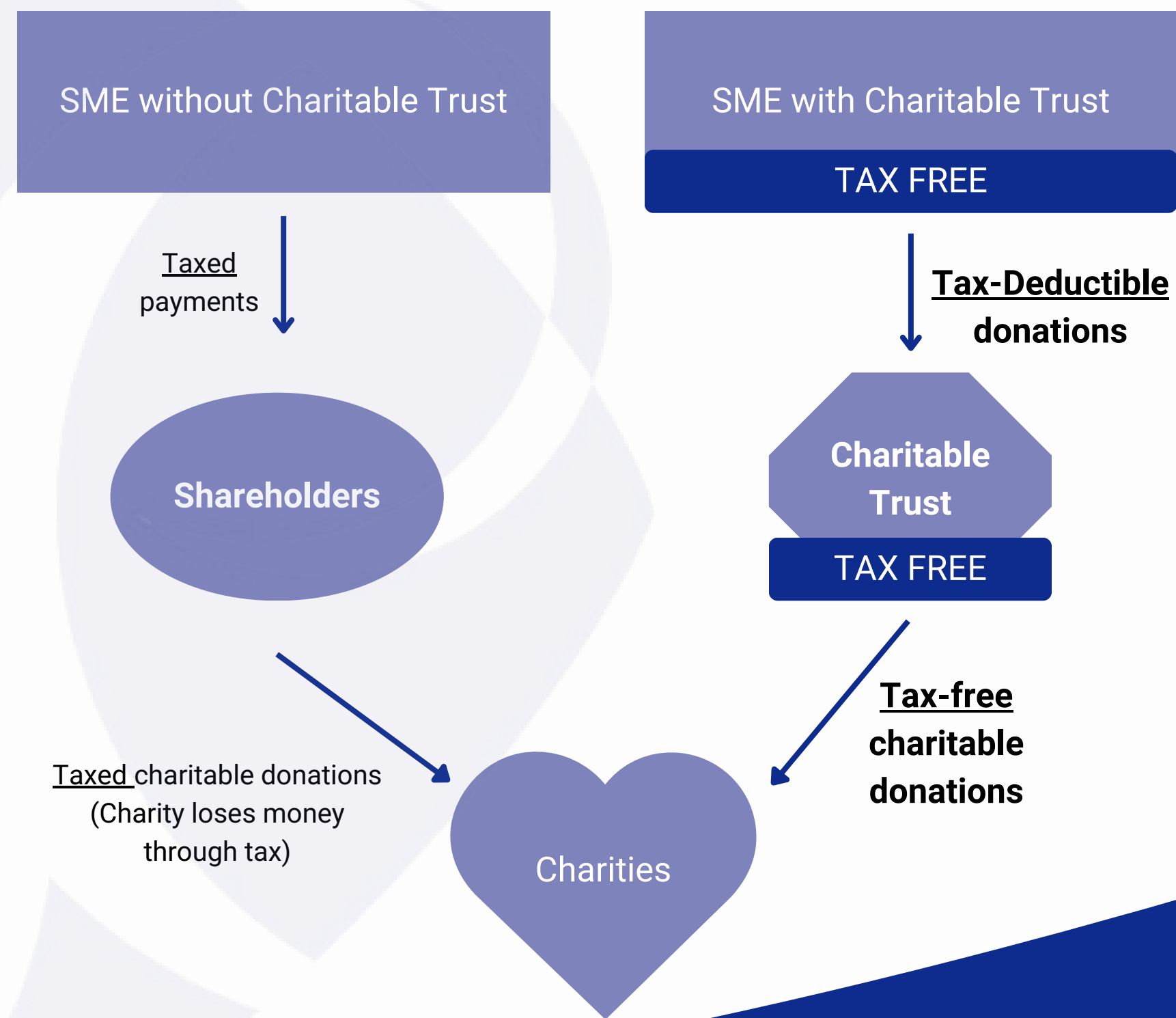
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## Avoidance of Double Taxation

In some instances, SMEs face double taxation when profits are distributed to shareholders and then used for charitable donations. By donating directly to the trust, this issue can be circumvented.





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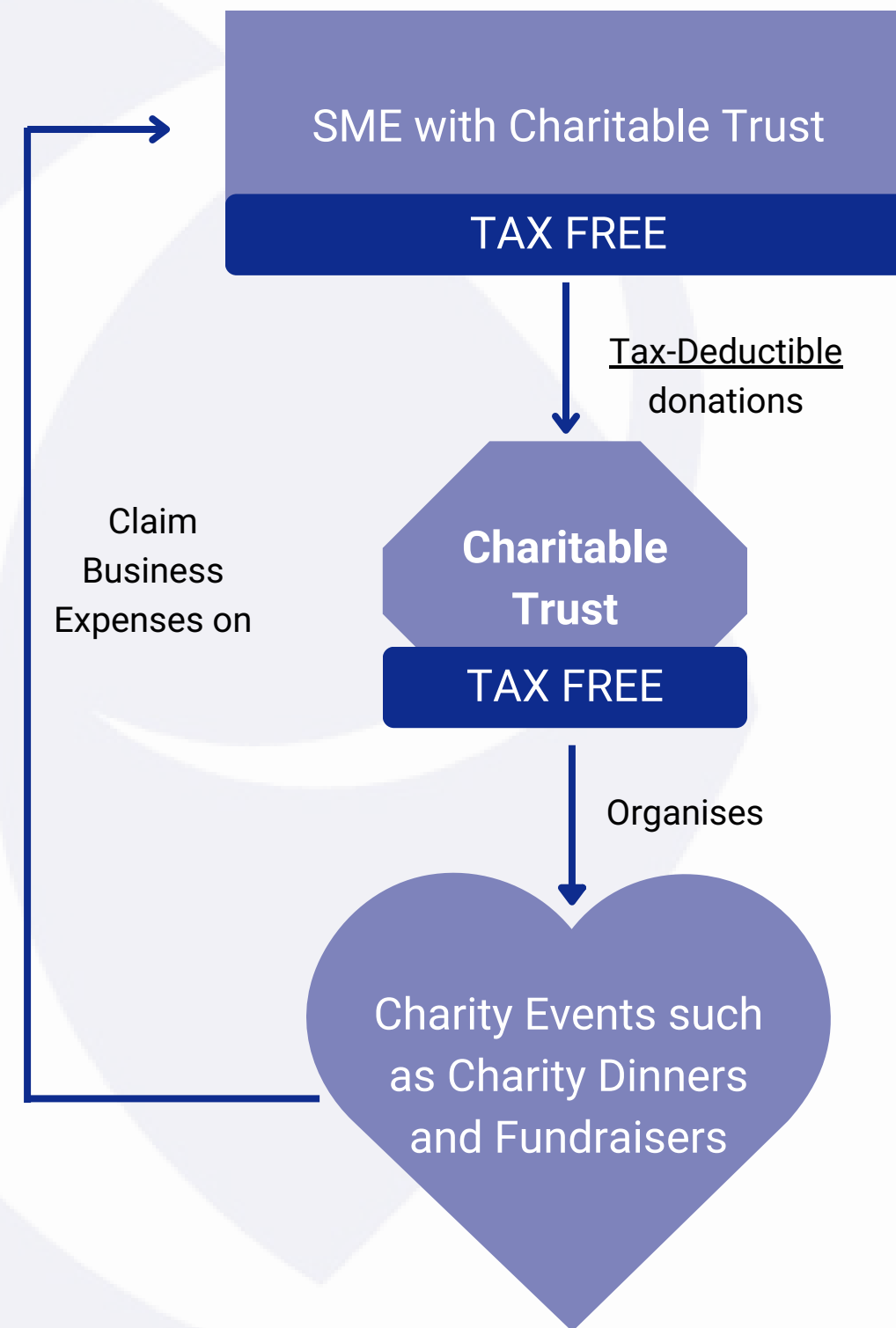
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# Business Expense Deduction

If SMEs participate in activities tied to the trust such as organising charitable events or fundraising, they may be able to deduct associated business expenses, which further enhances their tax benefits.

## Tax Benefits of a Family Charitable Trust

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## 6 Steps to setting up a UK Charity

### 1. Charitable Purpose

- Define charitable objectives and the organisations social or public benefit.

### 2. Trustees and Governance

- Appoint eligible trustees responsible for management and administration. This can be the directors of existing businesses, or family members.

### 3. Prepare Governing Documents

- Draft the relevant governing documents, such as the Trust Deed.
- This can include conditions attached to appointing trustees, and charitable causes you wish to support



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## Tax Benefits of a Family Charitable Trust

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# 6 Steps to setting up a UK Charity

### 4. Register with the Charity Commission

- Charities with an annual income expected to exceed £5,000 must register with the Charity Commission for England and Wales.

### 5. Comply with Tax and Reporting Requirements

- Familiarise yourself with tax obligations and reporting requirements for charities.

### 6. Opening a bank account and Total Costs

- Establish a dedicated bank account for the charity's finances.
- Set up costs can vary greatly depending on legal structure, appointment of Trustees, structure of donating companies, etc



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## **Tax Benefits of a Family Charitable Trust**

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Consider creating a Family Charitable Trust to create a legacy for yourself and your family to be remembered for years to come.

**Donating £50,000 is a huge generosity, but could be subject to double taxation.**

**Donating £50,000 through a Family Charitable Trust ensures the Charity gets every penny of that donation, and your business will get a deduction on the business expense. The donations can be spent over time by the charity, at the family Trustee's discretion. This can create a longer lasting legacy for your family's name, and your philanthropic ways. Your memory lives on...**

**Here at Tax Expert, we can help guide you through the process, with our dedicated team of accountants and an expert team of solicitors on hand. Give us a call today to find out how we can help.**

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## Tax Benefits of a Family Charitable Trust

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# Thank you for listening



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