

How to set up a foundation

Bill Gates has one. **Rod Aldridge** has one. So does **Richard Branson**. But foundations aren't just the preserve of the mega-rich. If you want to share the profits of your business and make an ongoing commitment to philanthropy, **here are five tips.**

1 APPLY FOR CHARITABLE STATUS

Anyone can set up what they call a "foundation" and give money away, but to be trusted by third parties and to qualify for tax breaks, it's best to apply for charitable status with the Charity Commission (www.charity-commission.gov.uk), according to Chris Coopey, a partner with accountancy firm Carpenter Box (which runs the Carpenter Box Charitable Foundation).

"If you set up a foundation, its income will be taxed. So it's far better to set up a charitable foundation," he says. "This is pretty simple to do and it comes with the bonus of tax relief on any capital gains the charity may make through selling shares. And you can claim Gift Aid on donations. It should normally just take a few weeks to set up. A trustee will need to be appointed and required to meet a few times every year."

Oh, and if you don't have more than £5,000 for the foundation to spend, forget it. That's the minimum balance a foundation needs to have in the bank to qualify for charitable status.

2 PUT YOUR POLITICAL PROSE ASIDE

Secondly, do not get political. You may well have plenty to say about Eurozone bailouts and Whitehall's search to differentiate between its elbow and posterior, but no political organisation can qualify for charitable status.

So stick to helping out disadvantaged people, alleviating poverty, promoting education, progressing medical knowledge and espousing religious principles, and you will be fine.

3 TAKE A LONG-TERM VIEW

Foundations not only allow business people to give something back, they also allow them to use their entrepreneurial eye for long-term sustainability. This is the key

advice from Ratheesan Yoganathan, founder of Lebara Mobile and the Lebara Foundation (which owns half of Lebara Mobile). "We focus on kids in need, and we invest so projects can fund themselves in the long term," he says. "In India, we're building a community with a school and hospital, but also with agricultural land so it can feed itself and have produce to sell. In another project, we're using recycled newspapers to make envelopes, which children with learning difficulties can sell to fund further work."

4 PUT IN THE LEG WORK

Do not consider setting up a foundation



CHARITABLE FOUNDATIONS: HOW MUCH ADMIN?

- **£5k to £25k:** If you invest **£25,000 per year or less**, only a couple of forms need to be filed with the Charity Commission
- **£25k to £250k:** All paperwork and submissions must first be looked over by a competent individual
- **£250k to £500k:** As above, but the competent individual has to be qualified - ie: an accountant
- **£500k plus:** Accounts must be properly approved by an independent auditor

unless you are prepared to put in a lot of time and effort. Picking and funding projects, and helping them to run efficiently, takes resources.

Well-known money trader Greg Secker runs the Knowledge to Action Foundation with his partner, Katherine Scott. He says that the involvement in schemes is rewarding, yet time consuming. "It's every entrepreneur's responsibility to give something back to society - in our case, helping children from disadvantaged backgrounds in the UK and South Africa," he says. "But make no mistake: it takes an awful lot of working long into the night to keep a foundation running, especially while doing your day job at the same time. And you need to get people on board who are willing to go beyond the call of duty and give the foundation their all."

5 CONSIDER THE CHEAPER OPTION

If all this sounds like a bit too much effort, there is a cheaper (and simpler) alternative. Chris Shepard, a director at accountants Smith & Williamson, regularly sets up foundations for clients. But for those who are looking to put in £10,000 or less a year, he says a Charitable Aid Foundation (CAF) may be a better idea. There are virtually no overheads, and donations can be dispensed to charities already operational on the ground.

"A CAF is effectively a bank account into which you make a single donation each year, and you then get a cheque book which you can use to make donations to charities," he says.

"It makes it easy for a tax return because it's just a single payment each year, so a client doesn't have to go through mounds of paperwork to fill in their tax return - and it doesn't involve any of the work in setting up and running your own foundation. You can even set up a CAF in your name, a foundation's name, or choose to keep it anonymous." ■



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