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# Financial Incentives for Philanthropic Giving: International Experience

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# Favourable fiscal environment

- Clear rules of tax exemption on gifts;
- Tax relief schemes;
- Simplified tax laws for annual giving;
- VAT rules for universities
- Cross-boarder tax benefits

# Taxation 101

- Income tax
  - Gift tax
  - Inheritance tax
  - VAT on economic activity
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- Public benefit organisations – no income tax
  - VAT – different treatment across EU
  - Tax benefits to donors – different across EU

# Tax incentives: UK

- Gift Aid (UK)
  - the charity reclaims basic tax rate (20%)
- Giving from Payroll
- Gifts of Shares, Land or other Real Property
  - exemption from Capital Gains Tax
- Legacies
  - exemption from inheritance and CGT

# Tax incentives: USA

- Legal status of universities: educational purposes organisations – income tax exempt
- Tax deduction of donations in full with a cap of 50% on gross adjusted income (GAI)
- Capital Gains tax in full with a cap of 30% of GAI
- Carry-forward mechanism 5 years

# Tax incentives

- France:
  - 66% donation credit on individual income tax with 20% cap on earnings
  - 60% credit on corporate income tax with 0.5% cap on company turnover
  - 5 year carry-forward mechanism of tax credit

# Matched funding scheme – UK

## 2008-2011

- £200M for a matched funding initiative (reduced to £148 M)
- £2M for building capacity – support and training by CASE Europe
- 3 Tiers:
  - Tier 1 (little or no experience): a match of 1:1, capped at £200,000 over three years.
  - Tier 2 (development programmes in place): a match of 1:2 (i.e. 50p match for every £1 raised), with a cap of £1.35 million.
  - Tier 3 (experienced fundraisers): a match of 1:3 with a cap at £2.7 million.



# Matched funding scheme - results

- 135 participating institutions
- £580M of gifts raised
- £143M paid to the institutions by the government
- Increase in the number of donors
- Creation of the culture of giving

# Matching funding schemes – Hong Kong

The Hong Kong government's Matching Grant Scheme 2003, 2005, 2006, 2008 and 2010, to drive systemic alumni fundraising activities.

The Scheme was launched as a competition among the government-funded higher education institutions

The matching ratio was \$1 to \$1 up to \$45 million to facilitate smaller/younger institutions with less fundraising capabilities; and \$1 (matching grant) for \$2 (donation) over and above \$250 million of matching grant is reached.

# Legal incentives

- Creation of foundations governed by private law:
  - Increases autonomy
  - Increases transparency
  - Shift in funding allocation mechanisms
  - Pressure to diversify funds
  - National and international profiling (Excellency schemes)



*Thank you!*  
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