



Charity Begins at Work

# THE COMPLETE GUIDE TO PAYROLL GIVING



[www.goodpaye.com](http://www.goodpaye.com)

# PAYROLL GIVING

**Payroll Giving is one of the simplest and most effective ways for employees to donate to charity - and for employers to make a meaningful difference. This guide is designed to help you understand how it works, why it matters, and how your organisation can get started.**

At its core, Payroll Giving allows employees to give to UK-registered charities directly from their pay - before tax. That means their donation goes further at no extra cost, and charities benefit from a reliable, long-term source of income. It's a win-win for employees, employers and the causes they care about.

Whether you're new to Payroll Giving or looking to improve your existing scheme, this guide covers the basics: how it works, the tax advantages, how donations are processed, and why it's different from Gift Aid. You'll also find answers to common questions, real-life examples, and practical tips on getting your scheme up and running smoothly.

Payroll Giving is a small change to your payroll process - but it can make a big impact. Let's get started.



## INCLUDED:

- What is Payroll Giving?
- How Does Payroll Giving Work?
- Does Payroll Giving Reduce Income Tax?
- Payroll Giving & Gift Aid - What's the Difference?
- The Impact to Payroll giving to Charities
- How to Set up A Payroll Giving Scheme?
- GoodPAYE

## WHAT IS PAYROLL GIVING?



**Cancer Research UK** is the world's leading independent cancer charity dedicated to saving lives through research, influence and information.

**Payroll Giving is a government-led scheme that makes charitable donations easy and efficient for both employees and employers.**

By donating directly from their gross salary, employees can support their favourite causes while benefiting from immediate tax savings.

**It's a win for charities too.**

Payroll Giving delivers funds straight to them - quickly, reliably, and with no extra admin - so they can focus on making an impact, not chasing paperwork.

- **Launched:** 1987 (UK Government initiative)
- **Total Raised:** Over £2 billion donated since launch
- **Charities Available:** Over 200,000 UK-registered charities can receive donations
- **Annual Donations:** Around £130 million given via Payroll Giving each year
- **Employee Participation:** Over 1 million employees give through their payroll



## Why is Payroll Giving a benefit to Employers too?

Payroll Giving isn't just good for charities – it's good for business too. Employers that offer Payroll Giving demonstrate a clear commitment to social responsibility and sustainability. It's a practical way to support your ESG goals, boost your brand reputation, and stand out to socially conscious candidates.

Running a scheme helps your business:

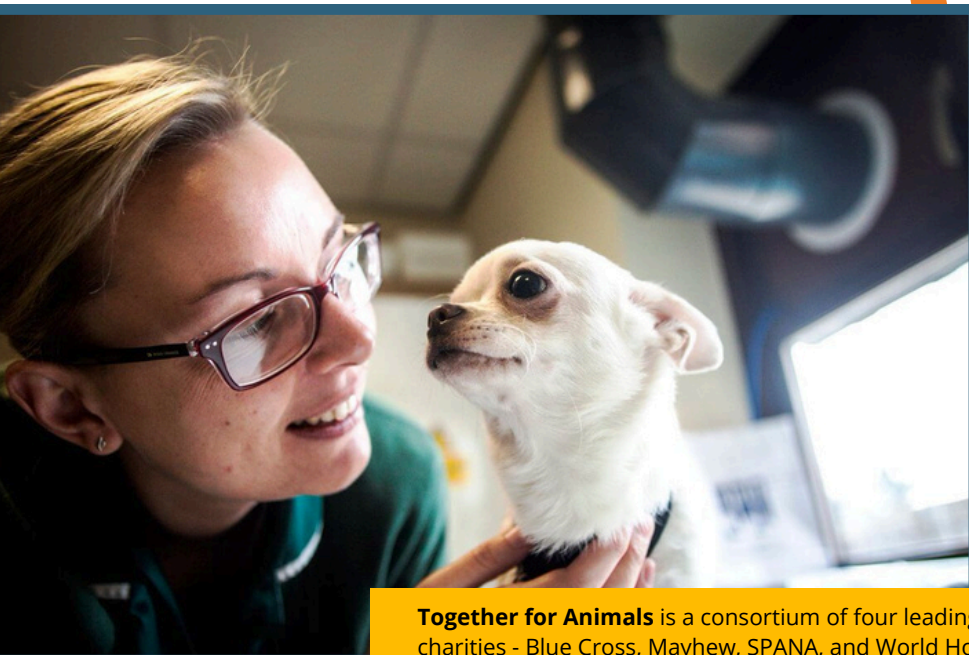
- Enhance employee engagement and morale
- Strengthen your reputation as a values-driven employer
- Build a workplace culture rooted in generosity and impact

Making it easier for employees to give shows that you care about what they care about. It turns good intentions into action - and can spark a ripple effect across your organisation.

There's also recognition. Employers with active schemes can apply for the Payroll Giving Quality Mark, which celebrates your commitment and gives you something tangible to shout about. Whether used in recruitment, internal comms, or PR, the award helps position your company as one that walks the talk.

Companies that prioritise CSR are experiencing a **35%** increase in employee retention over a five-year period.

(Zipdoo 2024)



**Together for Animals** is a consortium of four leading animal welfare charities - Blue Cross, Mayhew, SPANA, and World Horse Welfare.

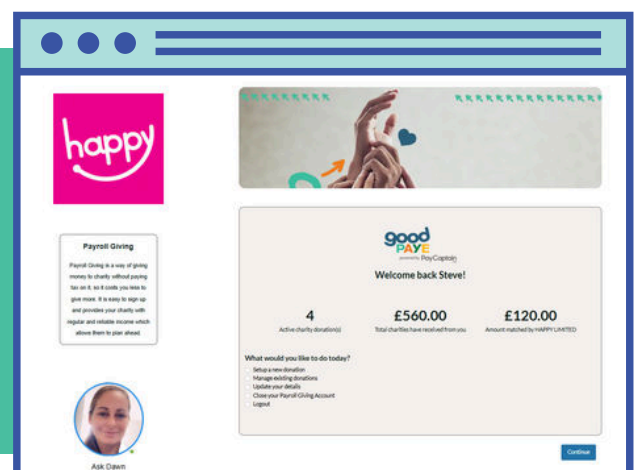
## HOW DOES PAYROLL GIVING WORK?

Running a Payroll Giving scheme is straightforward. Here's an overview of how the process works day-to-day - from employee sign-up to charity payment.

- **1 Employee Participation:** Employees choose how much they want to donate and which charities they want to support. This is usually done via a customised donation form provided by your Payroll Giving supplier. The form can be hosted on their website or integrated into your internal benefits platform -whatever works best for your setup.
- **2 Payroll Deduction:** Your Payroll team will deduct the chosen donation amount from the employee's gross salary, before income tax is applied. This reduces the employee's taxable income, saving them money on tax. Deductions are usually made each payday, but employees also have the option to make one-off donations if preferred.
- **3 Deductions sent to Payroll Giving Agency (PGA):** After deductions are made, you'll transfer the total amount in one lump sum to a HMRC-registered Payroll Giving Agency (PGA), who then distributes the funds to the employees' chosen charities.
- **4 Charities Receive Full Donations:** Charities receive the donations directly from the PGA, without needing to reclaim tax. It's quick, hassle-free support that helps charities plan and deliver their work more effectively.



To further streamline the process, organisations like GoodPAYE also provide digital platforms where employees can track their donations and make changes to their charitable preferences at any time. Making it more of a breeze for employers to administer.



## DOES PAYROLL GIVING REDUCE INCOME TAX?



**Crisis UK** is the national charity for single homeless people, dedicated to ending homelessness by delivering life-changing services and campaigning for change.

**Payroll Giving works by deducting donations from an employee's gross salary - before income tax is applied. This reduces their taxable income and makes Payroll Giving one of the most tax-efficient ways to give to charity.**

### Tax savings

- Basic-rate taxpayers (20%) save 20p for every £1 donated.
- Higher-rate taxpayers (40%) save 40p for every £1 donated.
- Additional-rate taxpayers (45%) save 45p for every £1 donated.

Because the donation is taken pre-tax, employees pay less to give more. For example, if a higher-rate taxpayer donates £50 a month, the actual cost to them is just £30. The remaining £20 comes from their tax savings, meaning their chosen charity still receives the full £50 without the employee paying the full amount out of pocket.

## DOES PAYROLL GIVING REDUCE INCOME TAX?

To show how this works across tax brackets, here's a quick comparison of donation amounts versus what they actually cost employees:

MONTHLY DONATION	COST TO 20% TAXPAYER	COST TO 40% TAXPAYER	COST TO 45% TAXPAYER	CHARITY RECEIVES
<b>£10</b>	£8	£6	£5.50	<b>£10</b>
<b>£25</b>	£20	£15	£13.75	<b>£25</b>
<b>£50</b>	£40	£30	£27.50	<b>£50</b>

As shown, higher-rate taxpayers benefit even more from Payroll Giving, making it especially appealing for senior staff or those in higher income brackets.

Many employers also offer donation matching. For instance, if an employee donates £25, the employer may match it - doubling the total donation to £50. It's a powerful way to boost impact and show support for employee-led giving.

## PAYROLL GIVING & GIFT AID - WHAT'S THE DIFFERENCE?

Payroll Giving and Gift Aid are both valuable ways to support charities, but they work differently and suit different situations.

Here's the comparison:

	PAYROLL GIVING	GIFT AID
<b>TAX RELIEF</b>	Donations made before tax, <b>reducing taxable income</b>	Tax relief applies to the charity, not the donor
<b>CHARITY'S BENEFIT</b>	Receives <b>full donation immediately</b>	Must reclaim tax from HMRC, which can take time
<b>HIGHER-RATE TAXPAYERS</b>	Offers <b>greater benefits</b> for higher-rate taxpayers	Requires extra paperwork to claim additional relief
<b>EASE FOR CHARITIES</b>	<b>No administrative burden</b>	Must process claims with HMRC

With Payroll Giving, donations are taken directly from an employee's gross salary before tax, meaning charities receive the full amount upfront without needing to reclaim tax - saving time and admin. This makes it especially efficient for regular, ongoing donations.

Gift Aid, on the other hand, adds 25% to eligible donations made from taxed income, but requires the donor to complete a declaration and for the charity to claim the extra amount back from HMRC. It's well-suited for one-off or irregular donations, and often used by people not in PAYE employment.

In short, Payroll Giving offers greater value and less hassle for regular workplace giving, while Gift Aid can be a good fit for occasional or ad-hoc donations.



## THE IMPACT OF PAYROLL GIVING TO CHARITIES

**Payroll Giving ensures donations go further, with less hassle and more impact for the charities employees care about.**

One of the biggest advantages of Payroll Giving is that charities receive donations directly, without needing to reclaim tax or chase paperwork. Since donations come from an employee's gross pay, there's no admin burden on the charity's side.

While Payroll Giving does involve small administrative fees, these are automatically deducted from the donation and are kept minimal. Many employers choose to cover these fees so that 100% of the employee's donation goes to their chosen cause.

Compared to Gift Aid - which requires charities to submit claims to HMRC and can involve delays - Payroll Giving provides faster, more reliable support. Regular donations also give charities a predictable income stream, helping them plan and deliver their work more effectively.

Best of all, Payroll Giving is fully inclusive. Every UK charity is eligible, meaning employees can support the causes they care about most - from large national organisations to local grassroots projects.



# HOW TO SET UP A PAYROLL GIVING SCHEME

## 1. Partner with a Payroll Giving Agency (PGA)

Employers must work with an HMRC-approved Payroll Giving Agency (PGA) to manage the donation process. PGAs handle all the admin - distributing donations to charities and ensuring everything stays compliant, so your Payroll and Finance teams don't have to.



GoodPAYE includes a **fully integrated PGA**, so if you choose us, there's no need to hunt through HMRC lists or manage separate supplier relationships. It's all taken care of.

## 2. Promote the Scheme to Employees

Make sure employees understand the benefits of Payroll Giving - from tax savings and donation flexibility to how easy it is to get started. Use internal channels like newsletters, posters, intranet updates or team meetings to raise awareness and spark interest.

Embedding Payroll Giving into your workplace culture shows your commitment to being a values-led, socially conscious employer. Employees notice and respond to this, so give the scheme the visibility it deserves.



Many organisations choose to work with a Professional Fundraising Organisation (PFO) to promote their scheme and boost uptake. PFOs offer free support like fundraising visits, webinars and incentive campaigns.

Partner with GoodPAYE, and we'll deliver monthly comms, webinars, and in-person support to help grow participation.



### 3. Integrate with Payroll Systems

Your payroll team will need to manage the pre-tax deductions based on a report provided by your chosen PGA each pay day. Make sure this report is compatible with your payroll software - most modern systems can handle it with ease.



With GoodPAYE, it's simple. One export from your payroll system and a single bank transfer is all it takes.

### 4. Encourage Participation

After launch, it's easy for schemes to lose momentum.

Keep engagement high by promoting regularly and offering incentives like matching donations. It's a powerful way to show employees you're serious about social impact - and to double the difference their donations make.



### 5. Monitor and Support

Track participation regularly and make time to respond to employee questions or feedback. Keep the energy up by celebrating milestones and sharing updates on the total donated and the impact achieved. It reinforces a sense of pride, community, and shared purpose within your organisation.

## INTRODUCING GOODPAYE



**At GoodPAYE, we believe in turning good intentions into real-world impact. As a B Corp, everything we do is driven by people, planet and purpose - and we make Payroll Giving as simple and powerful as it should be.**

GoodPAYE is the UK's leading full-service Payroll Giving solution, bringing employee engagement and donation processing under one roof for the first time. No multiple platforms. No confusion. Just one streamlined experience that works for everyone.

Our platform gives you and your employees full visibility - from the moment a donation is made to the moment it reaches the charity. That transparency builds trust, drives participation, and shows your people the real impact they're making.

When you partner with us, you're in good hands. We handle the admin, boost engagement, and help you create a Payroll Giving scheme that creates real impact - for your team and the causes they care about.

### **Ready to get started?**

👉 Book a demo at [goodpaye.com/demo](https://goodpaye.com/demo)

✉ Or drop us a line at [hello@goodpaye.com](mailto:hello@goodpaye.com)