

#### AN ALTERNATIVE APPROACH

182. If we were to treat the matter as one of pure theory we should prefer to see the tax concession to charity given in the form of an allowance to the subscriber rather than to the recipient. A charitable contribution does not appear to us to be well compared with personal expenditure or investment of income. It is more truly an act by which a man surrenders his personal decision as to the employment of that part of his income in favour of the decision of the managers of the charity. In a real sense his income is transformed into income of the charity. The same could indeed be said of all gifts of income to other persons, though with less general cogency, since such donors may have much more say as to the use of their gifts.

183. To apply this theory to charitable subscriptions would involve:

- (i) abolishing the recognition of covenants as having any tax effect in the field of charity; and
- (ii) giving to subscribers an allowance against taxable income in respect of charitable subscriptions made by them. The amount of the allowance would be fixed by a lump sum or percentage of income, subject to a maximum and verification of payments. An allowance of this kind is a feature of personal taxation in the United States and Canada.

184. We considered the possibility of recommending the introduction of such an allowance into our system. We were led to reject it by a combination of objections from the practical and administrative sides. First, we could not feel at all easy as to the effect of the changeover upon charitable income. Its immediate result would be a big reduction in the value of subscriptions to charities, apart from the uncertainty of not having guaranteed payments to budget on: against that can only be set the hope that the ground would be recovered by the increased value to the subscriber of making subscriptions. Moreover, even if the ground were recovered, there would be some redistribution of income over the range of charitable recipients, and the redistribution might bear hardly on some which do excellent work without much public notice. Secondly, the administrative work of giving a personal relief to each individual taxpayer for sums paid by him to valid charities would be a very considerable addition to the present work of returning tax on covenants to the charities themselves. It would have to recover the problems of decentralising what has hitherto been done centrally, checking the charitable status of all payees, vouching each payer's expenditure, and incorporating in PAYE what could only be a variable allowance. On the whole we do not recommend it.

#### CONCLUSION

185. We envisage therefore that charitable institutions will continue to enjoy the benefit of a return of income tax on sums paid under covenants that cover the prescribed period. We ought to add, however, that we expect care to be taken to ensure that a special concession of this kind is not compromised by doubtful practices which may easily become abuses. For instances, cases have occurred of institutions which offer subscribing members appreciable amenities so that the covenanted sum is in part a purchase of personal benefits. Obviously, the charitable concession is here misused. In other cases, a single lump sum is paid in the guise of a loan and in subsequent years sums ostensibly due under a covenant are set off against the liability on the "loan". It is as

much a matter for subscribers and managers of charities as for the Revenue to see that ingenuities of this sort - and there are others which could be mentioned - are not resorted to. For, if they become widespread, restrictive legislation would be called for.