



I am sure many of you are familiar with the broad concept of Gift Aid and will have seen the option to "Gift Aid" any charity donations you might make but how does the system actually work in practice?



What is Gift Aid?

Gift Aid is the main vehicle for tax efficient giving to charities. It can apply to any donation whether large or small, regular or one-off.

Simply by confirming that they are taxpayers, donors can ensure that their chosen charities can reclaim the basic rate of income tax on all their donations, equal to 25% of the amount donated.

This confirmation has only to be completed once for each charity and remains valid for as long as the donor remains a taxpayer.

As an added boost for donors, higher rate taxpayers can claim for themselves the difference between basic and higher (currently 20%) or additional (currently 25%) rates of tax against their own income tax liabilities, reducing further the net cost of the donation. This relief may be carried back to reduce tax payable for the previous tax year.

Gift Aid Example:

- Your donation £1000
- Charity reclaims tax £250
- **Total value of your gift £1250**
- Tax reduction higher rate taxpayer £250; actual cost to you £750
- Tax reduction additional rate taxpayer £312.50; actual cost to you £687.50

Gift Aid Small Donations Scheme

Aside from the main Gift Aid scheme there is also a very useful **Gift Aid Small Donations Scheme** for Charities and Community Amateur Sports Clubs (CASCs) who may be able to claim top-up payments

from HMRC on small cash and contactless donations; a small donation is defined as £20 or less. The scheme applies regardless of whether the donor is a UK taxpayer.

As you might expect there are specific requirements to enable an organisation to benefit from this scheme and maximum claim

limits apply however it is particularly pertinent to those who operate collection boxes or bucket collections. If you think this scheme could help your group please do give us a ring for specific advice.

Charities Online

Charities can claim Gift Aid repayments using HMRC's Charities Online portal. The system is designed to speed up and simplify the process and HMRC aim to repay amounts within 20 working days.

It is also possible to donate to charities via **Payroll Giving** - a great way to easily make regular contributions. Here the donation is made from your gross salary and again the "real" cost to the individual making the donation is less than the actual amount the charity receives.

Gifts in Kind of certain shares and securities, lands and buildings to a charity also attract income tax relief as well as capital gains tax (CGT) relief.

As you can see there are many options for tax efficient charitable giving however they are subject to strict rules. Whether you are a business / individual wanting to make tax efficient charitable donations or a charity wanting to maximise the benefit you receive please do get in touch if you have any questions - we are always pleased to help.

Paul

