

Giving to Charity

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 (it can even be done by telephone or internet) 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 the tax payable for the previous tax year.

Example

You give to charity	£1,000
Charity reclaims tax	£250
Total value of your gift	£1,250

Tax reduction for higher rate taxpayer £250 and for additional rate taxpayer is £312.50.

So a gift worth £1,250 to the charity could cost you as little as £687.50.

Gift Aid Small Donations Scheme

Charities and Community Amateur Sports Clubs (CASCs) may be able to claim top- up payments from HMRC on small cash donations under the Gift Aid Small Donations Scheme (GASDS). For the purposes of the scheme, a small donation is defined as £20 or less.

The GASDS may allow the charity to recover tax although no Gift Aid declaration has been made. Unlike Gift Aid, the scheme applies regardless of whether the donor is a UK taxpayer, although the donation must be collected in the UK. However, the scheme only applies to donations made in cash (and contactless donations made by card from 1 April 2017), making it particularly pertinent to those who operate collection boxes or bucket collections. Cheques and bank transfers are not eligible under the GASDS.

To qualify for the GASDS, the organisation must:

- Be a charitable trust or a charitable company, recognised by HMRC as a charity for tax purposes or a CASC

- Make claims under Gift Aid
- Not have incurred a penalty on a Gift Aid or GASDS claim made in the current or previous tax year.

Qualifying organisations can claim a top-up payment worth up to £2,000 on the lower of two amounts:

- ten times the amount on which Gift Aid is claimed in respect of qualifying donations made to the charity in the tax year concerned; and
- £8,000.

Higher and additional rate taxpayers will not be able to claim tax relief on their donations.

Charities Online

Charities Online allows Gift Aid repayments to be claimed online. The system is designed to speed up and simplify the process of making a repayment claim, saving valuable time for charities and CASCs.

There are three options for making claims. Option one is for charities that file Gift Aid claims for fewer than 1,000 donations. Option two is for larger charities that make claims for over 1,000 donors, while option three applies to those few charities that do not have the internet and involves completing a ChR1 paper form.

HMRC aim to repay amounts claimed via Charities Online within 20 working days. There are built-in checks to detect errors in the process before the form is sent.

There are many complex accounting and reporting requirements governing charities and not-for-profit organisations. Whatever the nature of your organisation, we can help you to meet its objectives. Please contact us for more information.

CAF Charity Account

This is a very flexible scheme organised by CAF (Charities Aid Foundation). You can open an account with as little as £10 a month by direct debit or with a single payment of £100.

The 'account' is in effect a 'charity cheque book and debit card' and can be used to make donations easily – spontaneously or regularly – by phone, by post or online – to your favourite charities.

Tax is recovered at the basic rate and added to your account. As with Gift Aid, higher and additional rate taxpayers can reclaim the difference between the basic and higher or additional rates of tax.

Payroll Giving

This scheme allows you to make gross donations to charity (deducted from your salary before tax is calculated). There is no statutory minimum or maximum limit, although individual schemes may impose a lower monthly donation limit.

Example

You give from your gross pay	£50
Charity receives	£50
Actual cost to basic rate taxpayer	£40
Actual cost to higher rate taxpayer	£30
Actual cost to additional rate taxpayer	£27.50

Gifts in kind

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

Example

You give shares valued at		£1,000
Income tax saving	basic rate taxpayer	£200
	higher rate taxpayer	£400
	additional rate taxpayer	£450
Potential CGT saving	basic rate taxpayer	£100
	higher or additional rate taxpayer	£200

There is a similar corporation tax relief for gifts by companies.