

TAX RELIEF WHEN GIVING TO CHARITY THROUGH GIFT AID

www.hmrc.gov.uk/incometax/relief-gift-aid.htm

Gift Aid increases the value of donations to UK charities and Community Amateur Sports Clubs (CASCs) by allowing them to reclaim basic rate tax on your gift. If you pay higher rate tax you can claim extra relief on your donations. If you claim age-related allowances or tax credits, Gift Aid donations can sometimes increase your entitlement.

How Gift Aid works

The Gift Aid scheme is for gifts of money by UK taxpayers. Charities or CASCs take your donation - which is money you've already paid tax on - and reclaim basic rate tax from HM Revenue & Customs (HMRC) on its 'gross' equivalent - the amount before basic rate tax was deducted.

Basic rate tax is 20 per cent, so this means that if you give £10 using Gift Aid, it's worth £12.50 to the charity. For donations between 6 April 2008 and 5 April 2011 the charity or CASC will also get a separate government supplement of 3p on every pound you give.

How to make a donation using Gift Aid

In order to make a Gift Aid donation you'll need to make a Gift Aid declaration. The charity will normally ask you to complete a simple form - one form can cover every gift made to the same charity or CASC for whatever period you choose and can cover gifts you have already made and/or gifts you may make in the future.

Gifts made jointly by people living together

You can use Gift Aid for gifts you make jointly if you tell the charity or CASC how much each of you is giving and if you each make a Gift Aid declaration.

Making sure you've paid enough tax to use Gift Aid

You can use Gift Aid if the amount of Income Tax and/or Capital Gains Tax you've paid in any tax year (6 April one year to 5 April the next) is at least equal to the amount of basic rate tax the charity or CASC is reclaiming on your gift. You don't necessarily have to be working to be paying tax. Apart from tax on income from a job or self-employment, the tax you've paid could include:

- tax deducted at source from savings interest
- tax on State Pension and/or other pensions
- tax on investment or rental income
- Capital Gains Tax on gains

But only UK tax counts, so if you only pay tax outside the UK you won't be able to use Gift Aid.

How to check if you've paid enough tax

To work out if you've paid enough tax to cover your donations, divide the donation value by four. For example, if you give £100 in a particular tax year you will need to have paid £25 tax over that period. ($£100/4 = £25$). (Note that this calculation is based on the basic rate tax of 20 per cent) If you don't think you've paid enough tax this year, you may be able to backdate your donation. See the later section 'Backdating Gift Aid donations to the previous tax year'.

Claiming back higher rate tax

If you pay higher rate tax, you can claim the difference between the higher rate of tax (40 per cent) and the basic rate of tax (20 per cent) on the total (gross) value of your donation to the charity or CASC.

For example, if you donate £100, the total value of your donation to the charity is £125 - so you can claim back 20 per cent of this (£25) for yourself. You can make this claim on your Self Assessment tax return if you were sent one. For more information see section below 'Telling HMRC about your Gift Aid donations'.

Backdating Gift Aid donations to the previous tax year

You can ask for Gift Aid donations to be treated as being paid in the previous tax year if you paid enough tax that year to cover both any Gift Aid gifts you made that year and the ones you want to backdate.

Your request to backdate the donation (and claim higher rate relief if applicable) must be made before or at the same time as you complete your Self Assessment tax return for the previous year and no later than the filing deadline for the tax return, which is 31 October if you file a paper tax return, or 31 January if you file online. If you don't complete a tax return you can ask your Tax Office to send you a form P810 Tax Review - you must send this by no later than 31 January after the end of the tax year to which you wish to backdate your gift.

Example:

Mr Jones makes a Gift Aid donation of £1,000 on 1 June 2008. He can either treat the donation as being for this tax year (2008-09) or carry back the relief to last tax year (2007-2008). As he paid enough tax last year to cover both last year's donations and this one, he chooses to carry the relief back. He hasn't yet completed a tax return for 2007-08 so he makes his claim on that return and files it online before 31 January 2009.

But if Mr Jones had already sent back his tax return for 2007-08, he would only be able to ask for the donation to be treated as Gift Aid for the year 2008-2009. You can't change a tax return in order to carry back a donation.

Gift Aid - effect on age-related Personal Allowance, age-related Married Couple's Allowance or tax credit claims

If you claim the age-related Personal Allowance or Married Couple's Allowance or tax credits it's important to let HMRC know about any Gift Aid donations. They will subtract the amount you donate plus the basic rate tax from your total income and use the reduced figure to work out the value of your allowances or tax credits. This may have the effect of increasing these allowances or credits if your income was above the relevant 'income limit' that applies. Follow the links below to find out more about these income limits.

Telling HMRC about your Gift Aid donations

It's important to keep a record of the total amount of your Gift Aid donations for each tax year. You'll need to let HMRC know about your Gift Aid donations if:

- you claim age-related Personal Allowance, Married Couple's Allowance or tax credits
- you pay higher rate tax
- you want to backdate a Gift Aid donation

If you normally complete a tax return you can tell HMRC about your Gift Aid donations by completing the section on Gift Aid payments. If you don't complete a return, you can give the details on form P810 Tax Review - available from your Tax Office, or telephone your Tax Office and ask them to make a change to your tax code.

Donating tax refunds to charity through your tax return

If you complete a tax return and are due a refund you can ask HMRC to treat all or part of it as a Gift Aid donation. Follow the link below to find out more. This can't be carried back to earlier periods.