GIVING TO CHARITY

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1. Giving through Gift Aid to a charity

Gift Aid is an easy way to help charities get extra money on your cash donations. Your Gift Aid donation is treated as if basic rate Income Tax has already been deducted by the donor. Charities can then reclaim that tax from HMRC.

To make a Gift Aid donation, you must pay at least as much Income Tax (and/or Capital Gains Tax) as the amount of tax reclaimed by the charity. This is currently 25 pence for every pound you donate.

If you make a number of Gift Aid donations, you must pay enough UK tax on the total amount of those donations.

If you don't pay enough tax you may have to pay HMRC any shortfall in tax paid.

If you pay higher rate tax and make a donation through Gift Aid you can claim some tax back.

a. How Gift Aid works

The Gift Aid scheme is for gifts of money by individuals who pay UK tax. Gift Aid donations are regarded as having basic rate tax deducted by the donor.

Charities 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%, 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 will also get a separate government supplement of 3p on every pound you give.

b. Claiming back higher rate tax

If you pay higher rate tax, you can claim the difference between the higher rates of tax (40% and/or 45%), and the basic rate of tax (20%), on the total 'gross' value of your donation to the charity.

For example, if you donate £100, the total value of your donation to the charity is £125 - so you can claim back:
- £25 - if you pay tax at 40 per cent (£125 at 20%)
- £31.25 - if you pay tax at 45 per cent (£125 at 20% plus £125 at 5%)

A table for illustrative purposes is produced on the next page.

Gift	Gross amount KSEF will receive	Amount reclaimed by a Higher Rate Taxpayer (at 40%)	Net cost of the donation to a Higher Rate Taxpayer (at 40%)	Amount reclaimed by a Higher Rate Taxpayer (at 45%)	Net cost of the donation to a Higher Rate Taxpayer (at 45%)
£1,000	£1,250	£250	£750	£312.50	£687.50
£5,000	£6,250	£1,250	£3,750	£1,562.50	£3,437.50
£10,000	£12,500	£2,500	£7,500	£3,125	£6,875
£50,000	£62,500	£12,500	£37,500	£15,625	£34,375

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2. Giving assets to charity

a. You can claim Income Tax relief and as a result lower your tax bill if you:
   - give land or buildings in the UK or qualifying shares (eg those listed on recognised stock exchange, Authorised Unit Trusts, OEICs, etc) to a charity
   - sell these to a charity at less than their market value

b. You can also gain relief from Capital Gains Tax when you:
   - give any asset to a charity
   - sell any asset to a charity for less than its market value

Other tax advantages of giving assets to charity include:

- you're treated as making no gain or loss for Capital Gains Tax purposes on any assets gifted to charity - not just those assets that qualify for Income Tax relief
- Income Tax relief is available at your highest rate of tax
- all outright gifts to UK charities are excluded for Inheritance Tax purposes
- UK charities don't have to pay Stamp Duty on outright gifts of property or shares

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3. Leaving gifts in your will to a charity

If you leave a gift to a charity in your will, its value will not be included when valuing your estate (your money, possessions and property) for Inheritance Tax purposes. Inheritance Tax is usually paid on an estate when somebody dies.

Gifts made to a charity in the seven years before your death are exempt from Inheritance Tax.

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4. Giving through your pay or pension to charity

You can give money to charity directly from your pay or company/personal pension using the Payroll Giving scheme.

It costs you less because your donation is given to charity from your gross salary before any tax is taken off - so you don't pay tax on it.

You can give to as many charities as you want and you can cancel your Payroll Giving agreement at any time.

a. How Payroll Giving works

Payroll Giving allows you to make donations to charity directly from your pay or company/personal pension. The donations are made after your National Insurance contributions are calculated but before Income Tax is worked out and deducted. Because of this, you only pay tax on what's left.

This means that you get tax relief on your donation immediately - and at your highest rate of tax.

Example: basic rate tax and Payroll Giving
You pay tax at the basic rate of 20 per cent, and authorise a monthly donation of £10. That means you save £2 tax (20 per cent of £10). The actual cost of the donation to you is £8.

Example: higher rate tax and Payroll Giving
You pay tax at the higher rate of 40 per cent and authorise a monthly donation of £10. That means you save £4 (40 per cent of £10). The actual cost of the donation to you is £6.

b. Who can use Payroll Giving?

You can use Payroll Giving as long as both of the following apply:

- you are an employee and you get paid weekly or monthly through PAYE
- you get a company and/or personal pension and your provider deducts tax through PAYE

In addition, your employer or pension provider needs to run a Payroll Giving Scheme. If they don't, you could ask if they would be willing to start one. They can find out about Payroll Giving and contact details for Payroll Giving Agencies by following the link at the end of the section.

Alternatively they can call the HMRC Charities Helpline. Select option 6 for payroll giving.

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5. Giving to charity through your Self-Assessment tax return

If you complete a Self-Assessment tax return, you can donate any tax refunds directly to charity by filling out the relevant section on your tax return. You don't have to do any extra paperwork.

You can also use Gift Aid to add to the value of your donation. The money goes straight into the charity's bank account (along with the Gift Aid tax repayment). The charity doesn't have to do any extra paperwork to reclaim Gift Aid.

a. Why use Self-Assessment Giving?

Self-Assessment Giving has a number of advantages:

- it offers an easy way to donate your tax refund to a charity of your choice
- the charity receives your donation directly into its bank account without having to make the claim
- you can increase the value of your repayment by making it a Gift Aid donation provided you've paid enough tax

Note: The government has announced its plans to withdraw the SA Donate scheme. This means that donors will no longer be able to redirect a tax refund to a charity in this way from April 2012. You can still donate your tax refund to any charity using Gift Aid if the qualifying conditions have been met.

b. Adding Gift Aid to your donation

If you want to make your repayment a Gift Aid donation, the charity can claim back 25 pence for each pound donated. You can make the donation under Gift Aid providing you have paid at least as much tax as the charity will reclaim.

The money goes straight into the charity's bank account (along with the Gift Aid tax repayment). The charity doesn't have to do any extra paperwork to reclaim Gift Aid.

If you pay higher rate tax and make a donation through Gift Aid you can claim some tax back.

For more information:
http://www.direct.gov.uk/en/MoneyTaxAndBenefits/ManagingMoney/GivingMoneyToCharity/DG_188051