



### GIFT AID

#### *Tax relief for your Charity / Community Amateur Sports Club (CASC)*

*Gift Aid* is an excellent way of helping a charity or a CASC gain the most from the money that you donate. *Gift Aid* is a government scheme which allows the charities/CASCs to which you give money to reclaim the tax which you paid on that money from HM Revenue & Customs (HMRC).

In order for *Gift Aid* to apply, you must be an individual, sole trader or a partnership and have paid Income Tax/Capital Gains Tax of an amount at least equal to the amount reclaimed via Gift Aid.

When you give money to charity/CASC via *Gift Aid*, the charity/CASC can claim from HMRC the basic rate tax which you paid on the 'gross equivalent' of your donation (i.e. the value of your donation before tax was deducted at the basic rate of 20 per cent). Therefore if you pay £1 to charity, its gross equivalent is £1.25. In addition, from 6 April 2008 until 5 April 2011, HMRC will automatically pay your charity a further 3 pence for every pound donated (this is to adjust to the fall in basic rate tax from 22 per cent to 20 per cent).

This means that for every £1 you donate via *Gift Aid*, your charity will receive £1.28.

#### *Tax relief for higher rate tax payers*

If you are a higher rate Income Tax payer, you will be able to reclaim the difference (20 per cent) between the higher tax rate (currently 40 per cent) and the lower tax rate (20 per cent) paid on the 'gross equivalent' value of your donation. Therefore you can reclaim 20 per cent of the gross equivalent donation (enabling you to reclaim 25 pence).

In order to do this you must include all your *Gift Aid* donations on your Self Assessment tax return form.

You don't have to be working to pay tax. You would still be eligible to donate via *Gift Aid* if you are paying tax in the following ways;

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

However *Gift Aid* can only be claimed if you pay tax in the UK. If you only pay tax outside the UK, you won't be able to make a *Gift Aid* donation.

### ***Things to check before making a Gift Aid donation***

It is important to be aware that you *must* pay as least as much Income Tax or Capital Gains Tax in the year in which you donate (6 April to 5 April of the following year) as the amount that will be claimed by your charity or CASC. If you make several Gift Aid donations, you will need to calculate the total amount of the donations to ensure you have paid sufficient Income Tax or Capital Gains Tax over the year to cover the amount of Income Tax that will be reclaimed on those donations.

If you don't pay enough tax you may be required to pay any shortfall to HMRC. A simple estimate of whether you have paid enough tax to cover the amount claimed by your charity/CASC can be made by dividing the total value of your donations by four. For example, if you give £1 in a particular tax year you will need to have paid 25 pence tax over that period ( $£1/4 = 25$  pence).

### ***How to start donating with Gift Aid***

Gift Aid donations can be made in the following ways:

- cash (made in sterling or any foreign currency).
- cheque (gifts by cheque will only register as received once the cheque has been cleared).
- Direct Debit
- credit or debit card
- postal order
- standing order or telegraphic transfer

### ***The Gift Aid Declaration***

You will also need to give the charity/CASC a *Gift Aid Declaration*. There is no set wording for such a declaration but it *must* include the following information:

- your name (full name or at least your initial and last name)
- your home address (including house number and the postcode)
- the charity/CASC's name
- details of the donation and stating which donations are covered by the declaration. You can make a declaration to cover a single donation or a series of donations. It can cover

donations made for a specific period or all future donations. Donations can also be backdated for up to 6 years from the date of the declaration.

- confirmation that your donation is a Gift Aid donation
- confirmation that you have paid at least the basic rate of tax in the UK (to cover the tax the charity/CASC will reclaim).

### ***Gift Aid Declaration Template***

A template *Gift Aid* Declaration can be found at:

[http://www.hmrc.gov.uk/charities/appendix\\_b1.pdf](http://www.hmrc.gov.uk/charities/appendix_b1.pdf)

### ***Backdating your donation***

If you don't think you've paid enough tax this year, you may be able to backdate your donation to previous years. 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 all Gift Aid donations you made that year as well as any ones you wish to backdate.

Your request to backdate the donation must be made before or at the same time as you complete your Self Assessment tax return. The deadline for this is 31 October (if you file a paper tax return), or 31 January (if you file on line or if you need to fill in form P810 Tax Review) after the end of the tax year in which you wish to backdate your gift. To find out more information on backdating your donation visit:

<http://www.hmrc.gov.uk/individuals/giving/gift-aid.htm>

### ***Payments which do not qualify for Gift Aid***

- Donations from a company
- Loans to a charity/CASC which, it is subsequently decided, do not have to be repaid – this is a waiver of a loan not a donation
- Gifts made on behalf of other people – this is a gift to the person not to the charity/CASC
- Gifts which have conditions regarding repayment attached
- Payments in return for goods or services
- Gifts made using charity/CASC vouchers provided by another charity/CASC
- Donations given to comply with a 'minimum donation' requirement by the charity/CASC

Please note that if you are a charity and would like to use this information on your own website then please do so, but please ensure that you credit Ibex Earth for the wording.

Ibex Earth would like to thank Orrick Herrington & Sutcliff for preparing this document.