

## Giving to Charity

### Gift Aid

Gift Aid is the main vehicles for tax efficient giving to charities. It applies 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. They can also claim 2% transitional relief supplement, which will be applied to qualifying donations up to 5 April 2011.

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 30%) 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	<u>£250</u>
Total value of your gift	<u>£1,250</u>

Tax reduction for higher rate taxpayer £250 and for additional rate taxpayer is £375.

So a gift worth £1,250 to the charity could cost you as little as £625.

### CAF CharityCard 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.

Because CAF deduct 4% for running most accounts, a £100 donation to CAF equals £123.08 to donate to chosen charities.

## 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	<u>£50</u>
Actual cost to basic rate taxpayer	£40
Actual cost to higher rate taxpayer	£30
Actual cost to additional rate taxpayer	£25

## Tax refunds

Self-assessment taxpayers may nominate a charity to receive all or a specified amount of an anticipated tax repayment. The donation will be passed direct to the charity by HM Revenue & Customs, once the tax return or claim is processed. This facility is being withdrawn for repayments due after 5 April 2012.

## 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	£500
Potential CGT saving	basic rate taxpayer	£180
	higher or additional rate taxpayer	£280

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