



GIFT AID

Nick Lunt, Financial Management Consultant

A. INTRODUCTION

Gift aid is tax relief on money donated ("donation") to UK charities.

HMRC treats these donations as if the donor has already deducted basic rate tax from the donation. The charity can then reclaim this tax to increase the value of the donation.

The (included) document 1 "H M Revenue & Customs Gift Aid the basics" provides further information.

1 .GIFT AID RULES

Donors must

- pay enough UK income tax and/or capital gains tax themselves to cover the amount of tax the charity will reclaim
- give the charity a gift aid declaration

2. AMOUNT RECEIVED BY CHARITY AND NET COST (TAX RELIEF) FOR DONOR

If a donor pays the

- basic rate of tax, the donor cannot claim further tax relief on the donation
- higher rates of tax, the donor can reclaim higher tax relief on the donations by entering the donations in the gift aid box on the self assessment tax return.

The charity reclaims the basic rate of tax from HMRC.

3. EXAMPLE

The donor, a taxpayer who is liable to 40% tax makes a donation to a charity of £1,000. The tax position is:

	£	£
Cash donation	1,000	1,000
Basic rate tax treated as deducted	<u>250</u>	<u>250</u>
AMOUNT RECEIVED BY CHARITY *	<u>1,250</u>	1,250
Tax saved at 40%		<u>500</u>
NET COST FOR DONOR		<u>750</u>

In addition there is a supplement payable to the charity in respect of transitional relief for loss of income due to the reduction in the basic rate of tax from 22% to 20%.

This supplement is added to payments made up to 5 April 2011.



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B. PROCEDURES

1. REGISTRATION OF CHARITY WITH HMRC

A charity must be registered with the Charities Commission before contacting HMRC. If the charity is not already registered with HMRC as a charity send a letter to HMRC applying for recognition as a charity for tax purposes in order to claim tax relief on donations.

The (included) document 2 "H M Revenue & Customs Applying for recognition as a charity for tax purposes" explains the procedures that need to be followed by the charity.

2. GIFT AID DECLARATIONS SUBMITTED BY DONORS TO CHARITY

In order to make a donation which qualifies for gift aid, the donor needs to make a gift aid declaration. The declaration can be written or made verbally

Two examples of written declarations are attached : document 3 "Gift Aid Declaration" and document 4 "Sponsorship and Gift Aid Declaration".

The (included) document 5 "H M Revenue & Customs Gift Aid declarations" explains the procedures that need to be followed by the charity.

The (included) document 6 "H M Revenue & Customs Giving to charity through Gift Aid" explains the procedures that need to be followed by the donor especially regarding HMRC self assessment tax returns.

3. GIFT AID FORMS SUBMITTED BY BY CHARITY TO HMRC

In order to claim back basic rate of tax from HMRC a charity needs to complete form "R68 Gift Aid schedules" which is basically summarised on form "R68 Claim"

The (included) document 7 "H M Revenue & Customs How to reclaim tax on Gift Aid and other income" explains the procedures to be followed. In particular steps 3 and 4 refer to forms "R68 Gift Aid schedules" and "R68 Claim". Copies of both of these forms are attached as documents 8 and 9 respectively.