

Gift Aiding

Unfortunately, as the economic crisis hits the high street it's not unusual to hear of charities struggling to survive. If you are a UK taxpayer who gives to charities or pays subscriptions to an eligible association, a Gift Aided donation will increase the amount that they receive. However, you need to make sure that you pay enough tax during the year otherwise, although HMRC will make the repayment of tax to the charity, if your record shows that you have paid less tax than the tax they have paid to the charity on your behalf, they will collect the difference from you.

To explain further, a charity is allowed to claim back basic rate tax on donations made to them, if the person giving the money has agreed to make their donation under the Gift Aid scheme. However, one of the conditions is that the person giving the money needs to pay tax equal to, or more than, the amount the charity is claiming back. To make sure you get it right, if you donate to a charity and are asked if you would like to Gift Aid it, you should check that you are able to do so. To check, just multiply the tax you expect to pay in the year by 4. That is the maximum you can Gift Aid. For example, if you pay £1000 of tax in the year the maximum you can Gift Aid is £4000. This maximum is the total you can donate under Gift Aid to all charities in the one tax year, e.g. from 6 April 2020 - 5 April 2021. You can of course make more gifts to charities, but you would not be able tick the "Gift Aid" box if you exceed the limit you have calculated based on the tax you pay. It is a good idea to keep a record of all the donations you make under Gift Aid each year if you are worried that you might not be paying enough tax to cover the donations you are making.

If you do not pay tax, DO NOT Gift Aid your donations. A charity cannot claim back what has not been paid in the first place. HMRC will pursue you for the money, not the charity, if you have made a donation and ticked the box for Gift Aid but have not paid sufficient tax.

Good for Charities

If you do pay enough tax, the donation made by you under the Gift Aid Scheme to the charity or Community Amateur sports Club (CASC) means they can claim an extra 25p from the government for every £1.00 donated.

You donate £100.00. The charity claims 25% Gift Aid – Total donation is now worth £125. As this is very valuable to charities they will almost always ask if you would like to Gift Aid your donation. Just be careful to say no if you aren't paying enough tax.

Good for Higher Rate Tax Payers

If you pay tax at a rate higher than basic rate then there is an additional incentive for you to donate under the Gift Aid scheme, which is that you can claim the difference between your tax rate and the basic rate of tax (20%) on your total charitable donation. For example, you pay higher rate tax



at 40% and donate £100, the Charity claim's Gift Aid and the total donation is £125 and you claim back £25 (20% of the £125).

It's the same if you live in Scotland. Do this either: through your Self-Assessment tax return or by asking HMRC to amend your tax code.

Leaving a gift to a Charity in your Will

Your Will says what will happen to your money, property and possessions after you die. A donation made to a registered Charity will be taken off the value of your estate before Inheritance tax is calculated and you may reduce your inheritance tax rate if 10% or more of your estate is left to charity.

If you have any questions on Gift Aiding then please contact Tax Help for Older People on 01308 488066 for further information and guidance.

This article is by Tax Help for Older People Registered Charity no 1102276 (Scotland no SC045819), offering free tax advice to older people on a low income who cannot afford professional help.