



## Giving To Charity

The Government offers a number of tax incentive schemes in order to encourage charitable giving. Not only can these help charities to collect more money, they can also save tax for the donor:

### Gift Aid for Individuals

You can give any amount to charity under Gift Aid and you are treated as having deducted Income Tax at the basic rate of 20% from the gift. So a donation of £80 is treated as a gift of a gross amount of £100 less tax of £20.

The charity can claim back the £20 that you have deducted and therefore receives £100 in all. If you are a basic rate taxpayer the cost to you will be £80 but if you pay tax at the higher 40% rate you can claim back the extra £20 making your net cost only £60. If you have dividend income the cost to you may be as low as £57.50.

When making a Gift Aid payment you must tell the charity your name and address and if you are able to get back the higher rate tax you must put the payment on your tax return. You can carry back payments made up to 31 January in one tax year to the previous year.

A useful way of keeping control of your charitable giving is through a Charities Aid Foundation account.

For more information contact them on 01732 520050 or visit [www.allaboutgiving.org](http://www.allaboutgiving.org).

It is important to ensure that you pay sufficient tax in the financial year to cover the 20% deduction. If you do not already pay an equivalent amount of tax, the Inland Revenue are entitled to ask you for the 20% that you have notionally retained. So if you have a low income, you should be careful about making Gift Aid payments.



### Gift Aid For Companies

Companies can also make Gift Aid payments but they do not deduct Income Tax from the donations. The company gets

Corporation Tax relief and this can be at a rate of up to 29.75%. The charity cannot reclaim any tax.

### Payroll Deduction Scheme

If you are an employer you can set up a payroll deduction scheme for your staff. Any payments that your employees make from their salaries will be deductible for Income Tax so they can save up to 40%.



## Gifts of Shares, Securities and Land and Buildings

A modification of the Gift Aid rules allow you to make gifts of quoted shares, various other securities and of land and buildings to charity and to get tax relief on the gift.



Imagine a gift of shares with a value of £10,000 which if sold would give rise to a Capital Gains Tax bill of £1,800. By giving the shares to charity you avoid the £1,800 CGT cost and the value of the shares given

is deductible from your taxable income. This means that if you are a 40% taxpayer you will get a refund of £4,000 from the Inland Revenue.

If you wanted to give the £4,000 tax refund away to charity so that you did not benefit from your gift of assets, you could do so under the Gift Aid scheme.

## Legacies

If you leave money to charity in your will there is no Inheritance Tax on the bequest. So the charity gets all that you leave to it.

If you are married it might be better to leave the money that you want to give to charity to your surviving partner and to leave her or him with a list of charities to which you would like the money to be given. The gifts can then be made by the survivor under Gift Aid and not only can the charity get back more, your wife (or husband) may be able to reclaim some income tax.



**This information sheet is for general information only and specific advice should always be sought before taking action.**

## For further advice and assistance

Please call **Linda Boss** on **01225 785520** or email [lindab@monahans.co.uk](mailto:lindab@monahans.co.uk)