

## Gift Aid

*This Fact Sheet is one of a series provided to assist Charities.*

- Both the Financial Services Authority and the Inland Revenue are promoting Gift Aid on behalf of Government.
- For every £1 gifted, the Charity gains an extra 28%:
  - if the gift is from individuals, the charity claims the 28% itself at the end of its tax year subject to certain conditions being satisfied (see below);
  - if the gift is from a company or a partnership, the gift is treated as being gross and the donor (not the Charity) can recover the tax relief in its next Corporation Tax Return; effectively, what this means is that the corporate donor acts on behalf of the Revenue in lending the tax reclaim to the Charity, but many corporate donors still do not realise that the Charity receives no tax reclaim itself.

Although the basic rate of Income Tax has been reduced from 22% to 20% with effect from 5<sup>th</sup> April 2008, HM Treasury have confirmed that this will not have the effect of reducing the value of Gift Aid for three years. Thus, until 5<sup>th</sup> April 2011, for every £1 gifted, the Charity will continue to gain an extra 28% and the figures and percentages in this Fact Sheet will remain valid. From and after 5<sup>th</sup> April 2011, for every £1 gifted, the amount the Charity gains will reduce to 25% (on the assumption that basic rate Income Tax will still be at 20% at that time). We will amend this Fact Sheet as and when there are any further changes.

- The conditions which apply to Gift Aid are:
  - the donor is an individual; and
  - the donor is a taxpayer, paying enough tax (Income Tax or Capital Gains Tax) to cover the 28% reclaimed on his or her gift; and
  - the completion of a Certificate by the donor - this can be (a) per gift or (b) Universal - and can be quite informal - needing only (a) his or her name, (b) full address and (c) an acknowledgement that he or she pays sufficient tax to cover the tax reclaim. A sample of a Universal Certificate is shown below.

- If the individual is a higher rate taxpayer, the charity still receives 28%, but the donor can also claim back 23% for himself or herself in his or her Tax Return, thereby reducing his or her cost to £77 for the Charity to receive £128.
- For a gift to apply for Gift Aid it must be a genuine gift, that is "unfettered" and without benefit or consideration in exchange (but see below).
- An acknowledgement of the gift by the Charity in its literature or upon a plaque is not considered to be a benefit - provided that it does not take the form of an advertisement for the donor's business.
- Free or reduced-price admission to the charity's buildings is generally regarded as a benefit, but is subject to the following Benefit Rules:

*Benefit Rules*

<b>amount of gift</b>	<b>value of benefit</b>
up to £100	25% of gift
£101 to £1,000	£25
over £1,000	2.5% of gift

As an example, if a gift to a charity is £25 and the value of the benefit accruing to the donor is £7, £7 is more than 25% of the donation, which would break the benefit rules, so the £25 would no longer be considered as a Gift Aid payment. If, for example, the value of the benefit to the donor was reduced to £6, then this would be below 25% and would therefore not cancel out the Gift Aid.

- There are two concessions, however:
  - in the case of admission to a property owned by a Charity whose sole or main object is the preservation of buildings (including that building); or
  - in the case of admission to view wildlife, where the conservation of wildlife is the Charity's sole or main object.
- A number of charities now claim Gift Aid on Membership Subscriptions. On the face of it, this should not occur because membership almost always carries certain entitlements and

benefits in exchange. Strictly, speaking, membership subscriptions are not gifts where they may provide access to facilities and services to the Charity's members. However, membership subscriptions are accepted as Gift Aid payments by the Revenue provided that they comply with the following rules:

- the subscription does no more than secure membership of the Charity; and
- the subscription does not secure a right to personal use of any facilities or services provided by the Charity; and
- the Benefit Rules (above) must apply.

If a charity holds a fundraising dinner, no Gift Aid could be claimed where there is a fixed price for a ticket, or a specified "minimum donation". Because the claim for Gift Aid relies on a donation which is purely voluntary, the charity can only claim the tax benefit of Gift Aid if it specifies a "suggested voluntary donation of £x". Thus, the charity is in effect staging a free event for potential and existing supporters, with any money paid in, as suggested, being treatable as donations which qualify for Gift Aid. The charity must be careful to ensure that the dinner is not seen as a benefit given to the donors in exchange for their voluntary donations. Clearly the charity will then carry the risk that donations received would not cover the cost of the event and may need to consider the risks involved - either to proceed with the event in this way, with financial provision to cover its cost (and being able to claim Gift Aid on any donations received), or to require the event costs to be met by ticket sales (and thus forego Gift Aid).

*style 'Universal' Gift Aid Certificate on next page*

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*[insert name of charity, its charity number and its principal address]*

**UNIVERSAL  
GIFT AID FORM**

**Donor's full name** .....

**Full address**.....

..... **Post Code** .....

**I enclose a donation of £.....** (payable to '*[insert name of charity]*')

**Important:** I declare that all donations given to *[insert name of charity]* from *[insert date on which charitable status granted]* onwards are to be treated as Gift Aid Donations by me, until further notice from me, thereby enabling *[insert name of charity]* to reclaim tax on my donation(s).

**Signed** ..... **Date** .....

- Notes**
- there is no requirement to have this form witnessed;
  - please notify the charity if you no longer pay an amount of Income Tax or Capital Gains Tax equal to or more than the tax that it may reclaim on your donation (currently 28p for every £1 you donate);
  - you may donate shares to the charity - you will have no Capital Gains Tax liability on them - please contact the charity for further details
  - **if you are a limited company or partnership, please contact the charity - as different arrangements apply and your donation has to be paid gross (leaving you to reclaim the tax).**

## Payroll Giving

- The gift is deducted from any salary through PAYE. It is known as Give As You Earn (GAYE).
- Thus a monthly gift of £20 to Charity would cost a basic rate taxpayer £15.60 and a higher rate taxpayer £12.
- In addition, the Revenue adds 10% to every donation - guaranteed only until 5th April 2004 - so the £20 becomes £22 to the Charity.

## Share Giving

- Share giving is eligible for full personal Income Tax relief and exemption from Capital Gains Tax.
- Thus a gift of £1,000 of listed shares could reduce a basic rate taxpayer's Income Tax bill by £220 and a higher rate taxpayer's by £400.
- No Capital Gains Tax is payable by the Charity either.

## Self Assessment Repayments

- Those taxpayers who complete a Self Assessment Tax Return may nominate a Charity to receive all or part of any repayment due to them from 6th April 2004.
- The payment is paid direct by the Revenue into the Charity's own Bank account.
- The payment is treated as Gift Aid, with the additional 28% being paid by the Inland Revenue without the Charity's having to make a claim.
- This can enable Gift Aid to be used for anonymous donations (as the only way to do so).
- The Revenue has a list of participating charities, from which taxpayers may choose - this is available on its website.
- Charities can apply to IR Charities, St. John's House, Merton Road, Bootle, Merseyside L69 9BB for inclusion in the list. They will be sent an Application Form to complete.

*Although carefully prepared, this Fact Sheet is a guide only and is not intended to be comprehensive. Specific advice should be requested on individual situations.*

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Colin Liddell

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*Accredited by the Law Society of Scotland as a specialist in Charity Law  
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