

## 7. Finding and getting money

### 7.10.4 Introduction to Gift Aid



Gift Aid allows charities to reclaim from HM Revenue & Customs the basic rate of income tax on donations made by UK taxpayers. As the current basic rate of income tax is 20 per cent, this means that you can claim an extra 25p for every £1 you are given. In addition charities will receive transitional relief of 3.2 pence on the pound to give them time to adjust to the change in basic rate tax. This means that until April 2011 charities will receive 28.2 pence for every £1 donated. All the donor has to do is make a Gift Aid declaration stating that they have paid enough tax to cover that which the charity is going to recover. A single declaration can cover past and future donations. The charity can claim Gift Aid on donations received over the past six years (four years from April 2010). It all adds up and could make a significant difference to your charity.

### What are the benefits?

Gift Aid is a great way of boosting donations whatever their size, at no extra cost to the donor, and with little extra administration for the charity. There is no minimum or maximum donation level and the information required from the donor is simple, making Gift Aid an extremely effective and flexible way to give.

### Five steps to getting Gift Aid

- Step 1** Write to HM Revenue and Customs (HMRC) to register for tax purposes and request a reference number and registration pack (The HMRC Gift Aid Toolkit Go even further has a template letter which you can download for this purpose – copies of the toolkit can be obtained from Giving Wales or HMRC).
- Step 2** Get a completed Gift Aid declaration from your donors.
- Step 3** Keep records of the declarations and donations with a clear audit trail.
- Step 4** Make periodic claims to claim the tax back from HM Revenue and Customs
- Step 5** Promote Gift Aid amongst your donors! Stress that it won't cost donors anything extra to use Gift Aid, and you could let them know what the extra funds generated could buy. Utilise all of your communication channels to spread this message.

## How the tax relief works

Gift Aid allows the charity to claim the basic rate of income tax on the gift, which works out at 25 per cent more.

Donor gives your charity	<b>£100.00</b>
Charity claims from HMRC Basic rate income tax on gross gift:	<b>£25.00</b>
Transitional relief	<b>£3.20</b>
Total you receive	<b>£128.20</b>

## Who is eligible?

For a donation to qualify for Gift Aid, the donor must be a UK taxpayer. They must pay enough income tax or capital gains tax to at least equal the amount of tax your charity will claim on their donations made in that tax year. A tax year runs from 6 April to the following 5 April. Your charity will claim from the HMRC 25p for every £1 given. So, if a donor gives you £100 in a tax year, they must have paid at least £25 in tax; the amount you could claim from HMRC. It does not matter at what rate the donor pays tax, it could be 10, 20 or 40 per cent. It could be tax deducted from bank or building society interest or the tax credit on dividends. What matters is that the amount of tax they pay in the tax year at least equals the amount of tax your charity will claim.

## Gift Aid for higher rate taxpayers

If a donor pays tax at the higher rate of income tax, currently 40 per cent, they can also claim tax relief for themselves at 20 per cent of their gross donation. That 20 per cent is the difference

between the standard rate of income tax (20%) and the higher rate (40%).

*Example:*

Higher rate taxpayer gives your charity	<b>£100</b>
Charity claims basic rate (20%)	<b>£25.00</b>
Transitional Relief	<b>£3.20</b>
Charity receives	<b>£128.20</b>

The higher rate taxpayer can claim the relief through their tax return, Tax Review form or by getting in touch with the tax office that handles their affairs. Research by CAF (2009) found that half of all higher rate taxpayers are not aware of the personal relief on donations available to them, one fifth only have used it, and most are willing to redirect the 20 per cent to charity. Charities can make use of these findings in promoting Gift Aid. See King's College London's website for an example of how to promote Gift Aid to higher rate taxpayers.

<http://www.kcl.ac.uk/support/give/giftaid.html>

## Further information

Giving Wales

Tel:0800 2888 329

[givingwales@wcva.org.uk](mailto:givingwales@wcva.org.uk)

[www.wcva.org.uk/givingwales](http://www.wcva.org.uk/givingwales)

HM Revenue and Customs

[www.hmrc.gov.uk](http://www.hmrc.gov.uk)

Helpline: 08453 02 02 03

### Disclaimer

The information provided in this sheet is intended for guidance only. It is not a substitute for professional advice and we cannot accept any responsibility for loss occasioned as a result of any person acting or refraining from acting upon it.

### For further information contact

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