



Gift Aid

Gift Aid is a way for charities to increase the value of monetary gifts from UK taxpayers by claiming back the basic rate tax paid by the donor on the donation. It can increase the value of donations by a quarter at no extra cost to the donor.

How Gift Aid works

Tax relief for charities

Gift Aid is an easy way to help your charity maximise the value of its donations. You can reclaim tax from HM Revenue & Customs (HMRC) on the 'gross' equivalent of donations, their value before tax was deducted at the basic rate, currently 20 per cent. You can work out the amount of tax you can reclaim by dividing the amount donated by four. This means that for every £1 donated, you can claim an extra 25 pence.

Tax relief for donors

If a donor is a higher or additional rate taxpayer, they too can benefit from tax relief as they can claim relief equal to the difference between the higher rate of tax at 40 per cent or 45 per cent and the basic rate of tax at 20 per cent on the total value of the donation - a total of 20 per cent and/or 25 per cent. So if £1 was donated, the 'grossed up' donation would be £1.25 and a donor liable at the 40 per cent tax rate could claim relief of 25 pence (20 per cent of £1.25).

The donor must pay at least as much UK tax (Income Tax and/or Capital Gains Tax) as the amount of Income Tax that you are reclaiming. If a donor makes a number of Gift Aid donations, including to other charities and CASCs, they must pay a sufficient amount of UK tax on the total amount of those donations and they may be required to pay any shortfall in tax paid to HMRC. You must advise the donor of their tax requirement and keep a record of your notification along with the donor's confirmation - known as a Gift Aid declaration.

Example

John is a 40 per cent higher rate taxpayer and donates £100 to charity. As he pays regular Income Tax on his earnings, the basic rate of tax on his donation has already been covered by his tax payments and the charity claims back the basic rate tax of 20 per cent from HMRC. So the charity is able to make a repayment claim of £25 (£100 divided by 4). As a higher rate taxpayer, John can claim the difference between the higher rate of tax at 40 per cent and the basic rate of tax at 20 per cent on the total value of his donation, so he can claim 20 per cent of £125, a total of £25.

How does your charity apply to be recognised by HMRC for tax purposes?

Your organisation can apply to HMRC for recognition as a charity for tax purposes. To do this go to <https://www.gov.uk/charity-recognition-hmrc> or request the ChA1 form by telephoning 0300 123 1073.

Making changes once you are registered

Use the online forms service or the postal form if your organisation is already registered and you need to tell HM Revenue and Customs (HMRC) about significant changes to your organisation.

<https://www.gov.uk/government/publications/charities-change-of-details-form-chv1>

Charity trustees and anyone involved in the day-to-day running of your organisation should also read the basic guidance on 'Fit and Proper Persons'. This guidance explains the need for charities to ensure that their managers are suitable to hold such posts and, in particular, that they haven't been involved in tax fraud or disqualified from being a charity trustee. It also includes a model declaration managers can sign.

Can we register for Gift Aid if we're not a registered charity?

Yes you may and the explanation below may be used when communicating with HMRC.

X Local Quaker Meeting is a constituent part of the Religious Society of Friends in Britain (Quakers) – the “Church”.*

*It is also a constituent part of Y Area Meeting**. Y Area Meeting is a religious charity currently excepted from registration due to the size of its income.*

There is further information on this status at:

<https://www.gov.uk/government/publications/exempt-charities-cc23>

* & ** this changes depending on which form of the name the LM and AM chose as their official name, eg LM, LQM, QM

Time limits to be aware of in relation to Gift Aid

You must claim the tax due on Gift Aid on all donation(s) within 4 years of the end of the accounting period you received it in.

You must keep completed Gift Aid declarations for 6 years after the last donation you claimed Gift Aid on from that donor.

You must keep all accounting records and bank statements for 6 years after the end of the accounting period that they relate to.

For further information on Gift Aid:

Gaby Scott, Treasurers' & Clerks' Support Officer, Britain Yearly Meeting
gabys@quaker.org.uk, 020 663 1045

<https://www.gov.uk/government/publications/charities-detailed-guidance-notes/chapter-3-gift-aid>

HM Revenue & Customs Charities Helpline: 0300 123 1073

Opening hours 8.00am to 5.00pm, Monday to Friday

Closed weekends and bank holidays