



## **GREENFINGERS CHARITY-17/01/17**

### **Tax Efficient Ways for Individuals to make Donations**

There are several ways in which an individual can maximise a donation to charity at no extra cost to themselves. There are certain tax benefits which can increase the value of the donation made and at the same time allow the donor to claim a certain percentage of Income Tax back. The tax goes to the individual and/or the charity. How this works depends on the way donate:

#### **1.DONATING THROUGH GIFT AID:**

This enables charities to claim an extra 25p for every £1 you give. It won't cost you any extra, BUT you must be UK taxpayer. Charities can claim Gift Aid on most donations, but some payments don't qualify. If the individual or a person connected to the donor is given a benefit in return (e.g. tickets to an event) for a donation it must be below a certain value:

Donation Amount	Maximum Value of benefit
Up to £100	25% of donation
£101-£1,000	£25
£1,001 and over	5% of the donation (up to a maximum of £2,500)

#### **What you need to do:**

- (a) Make a Gift Aid declaration for the charity to claim-complete a Gift Aid declaration form for each charity that you want to donate through Gift Aid-appendix 1
- (b) You can include all donations from the last 4 years.
- (c) Tell the charity about any tax years where you didn't pay enough tax.

#### **Paying enough tax to qualify for Gift Aid**

- (a) Donations will qualify as long as they're not more than 4 times what you have paid in tax in that tax year (6 April to 5 April).
- (b) The charity must be notified if you stop paying enough tax.

#### **Higher rate taxpayers**

If you pay tax at the higher or additional rate, you can claim the difference between the rate you pay and basic rate on your donation. Do this either:

- o through your Self-Assessment tax return
- o by asking HM Revenue and Customs (HMRC) to amend your tax code

**Example:** You donate £100 to charity - they claim Gift Aid to make your donation £125. You pay 40% tax so you can personally claim back £25.00 (£125 x 20%).

### **Selling unwanted items**

People can sell unwanted clothes, books, CDs etc. through a UK charity shop and then give the proceeds to the charity under Gift Aid. The charity handles all the paperwork and the cash.

### **Volunteers' Expenses**

If the volunteer is paid expenses they can keep the money or pay part or all of it back to the charity as a Gift Aid payment. They must make an actual payment of money to the charity for the Gift Aid to be claimed.

## **2. PAYROLL GIVING**

If your employer, company or personal pension provider runs a Payroll Giving scheme, you can donate straight from your salary, wages or pension. This happens before tax is deducted from your income.

The tax relief you get depends on the rate of tax you pay. To donate £1, you pay:

- 80p if you're a lower rate taxpayer
- 60p if you're a higher rate taxpayer
- 55p if you're an additional rate taxpayer

## **3. LAND, PROPERTY OR SHARES**

An individual does not have to pay tax on land, property or shares donated to charity. This includes selling them for less than their market value. You get tax relief on both:

- Income Tax
- Capital Gains Tax

It is important to keep records of the donation to show that you've made the gift or sale and that the charity has accepted it.

### **(a) Income Tax relief**

Pay less Income Tax by deducting the value of your donation from your total taxable income. Do this for the tax year (6 April to 5 April) in which you made the gift or sale to charity.

### **(b) Capital Gains Tax relief**

No Capital Gains Tax is payable on land, property or shares you give to charity. You may have to pay if you sell them for more than they cost you but less than their market value. Work out the gain using the amount the charity actually pays you, rather than the value of the asset.

### **(c) Selling land, property or shares on behalf of a charity**

If the charity asks you to sell the gift on its behalf, you can do this and still claim tax relief for the donation, but you must keep records of the gift and the charity's request. Without them, you might have to pay Capital Gains Tax.

#### **4. LEAVING A GIFT IN YOUR WILL**

Money or property left to a charity in your will is not liable for inheritance tax. This may be a way of reducing your tax burden.

Your donation will either:

- be taken off the value of your estate before Inheritance Tax is calculated
- reduce your Inheritance Tax rate, if more than 10% of your estate is left to charity.

You can donate:

- a fixed amount-a pecuniary legacy
- an item
- what's left after other gifts have been given out-a residual legacy