

## GIFT AID & CHARITIES

### BACKGROUND

Finance Act 2000 introduced the Gift Aid system which replaced the giving under deed of covenant. Gift Aid simplified the rules of giving for both the individual and the charity and this leaflet provides an outline of the key points.

### KEY ASPECTS OF GIVING – THE INDIVIDUAL

There are currently no minimum or maximum levels for gifts from individuals.

Once an individual has made a declaration to the charity this covers all gifts from that point.

Payment is made net and tax relief can be claimed at higher rates and against income tax or capital gains tax. Relief can be claimed against the previous tax year.

For lower rate taxpayers no additional tax liability arises as a result of making donations under Gift Aid.

Donations can also be made by non-residents and also settlor interested trusts.

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### KEY ASPECTS OF RECEIPT – THE CHARITY

In principle the charity must not provide any benefits in exchange for donations received under Gift Aid. All of the donations enable the charity to claim back tax equal to the basic rate, currently 20%, by grossing up the net receipt. However some small benefit is allowed up to a maximum of the lower of 5% of the gift and £2,500.

The benefit of right of admission to a wildlife conservation charity or heritage body is ignored.

This last benefit enabled certain charities to provide donors with free admission, although this area has been tightened up for single admissions.

Gift Aid is recovered by the charity on specific forms at a rate of 20/80 at present so that a donation of £80 generates a valuable recovery of £20.

### SMALL DONATIONS

Eligible charities can usually claim a top-up payment on up to £5,000 of small cash donations. The top-up payments are calculated in the same way as Gift Aid relief on the basis of the basic rate of income tax for the tax year.

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### RECORDS TO BE KEPT BY THE CHARITY

The charity is required to keep detailed records in support of Gift Aid donations.

Declarations may be in writing, orally or by electronic communication. All must contain the following;

- Name and address of donor.
- Name of charity.
- Description of gift or gifts to which declaration applies.
- A statement that the gift or gifts are to be treated as Gift Aid payments.
- Where the declaration is in writing, a statement regarding the requirement to pay sufficient income or capital gains tax to cover the relief claimed.

The charity must retain the declarations along with any notices of changes of address.

Where oral declarations have been made the charity must produce a written statement containing the above and the date of the declaration and forward it to the donor for signature.

Small donations - A charity is also able to obtain a Gift Aid style repayment without the need for documentation. This applies to gifts of £20 or less with a maximum per charity of £5,000 per year.

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