

Charitable giving

Contacts

Please phone:

- the number printed on page TR 1 of your tax return
- the SA Helpline on **0845 9000 444**
- the SA Orderline on **0845 9000 404** for helpsheets

or go to

www.hmrc.gov.uk

This helpsheet tells you about four of the tax reliefs for giving to charity:

- Gift Aid
- gifts of shares and securities to charity
- gifts of land and buildings to charity
- Payroll Giving.

From time to time changes to these reliefs may be introduced that are not reflected in this helpsheet or in the guidance notes for completing your tax return. We recommend that you go to **www.hmrc.gov.uk** or ask your tax adviser before completing boxes 5 to 12 in the 'Charitable giving' section of the tax return.

Gift Aid

This is a scheme providing relief for gifts of money to charities, including organisations in EU Member states, Norway and Iceland that meet the UK tax definition of a charity.

Gift Aid donations can also be made to Community Amateur Sports Clubs (CASCs) that are registered with HMRC as a CASC when the donation is made. The rules governing the operation of Gift Aid are broadly the same for CASCs as for charities.

You will need to have given the charity or CASC a declaration saying that you want your gift to be treated as a Gift Aid payment. Declarations can be given in writing or orally (usually by phone), including by electronic means such as email, text message or voicemail.

There is no upper or lower monetary limit on the amount of a gift that can qualify for Gift Aid provided you have paid enough tax to cover the amount that is payable to the charity or CASC.

Payments to charities or CASCs made under the Gift Aid scheme are treated as having been made after deduction of Income Tax at the basic rate. The charity or CASC can then reclaim that Income Tax from HMRC. Because of this it is important for you to have paid enough Income Tax or Capital Gains Tax (at whatever rate) to cover the tax that the charity or CASC can reclaim from HMRC.

If the amount of Income Tax or Capital Gains Tax that you are due to pay is less than the tax reclaimed by the charities on your gifts, you may have to pay an additional amount of Income Tax. This additional amount is the difference between the tax reclaimed by the charities or CASCs on your gifts and the Income Tax and Capital Gains Tax due on your income and chargeable gains.

If you pay Income Tax at the basic rate no additional relief is due on your gifts (unless you are claiming certain allowances available for people aged over 65 years – see below).

If you pay Income Tax at the higher rate or additional rate you will be able to claim relief based on the ‘grossed-up’ amount of your gifts. With a basic rate of Income Tax of 20 per cent, gifts are grossed-up by multiplying the amount you give by 100 divided by 80 (100/80).

Higher rate and additional rate relief is given by increasing your basic rate band and higher rate band by the grossed-up amount of your gifts. In most cases, if you pay tax at the higher or additional rates (40 per cent or 50 per cent) your relief will be equal to the difference between basic rate and either 40 per cent or 50 per cent.

Example

If your Gift Aid payments add up to £100 in 2011-12 the grossed-up value of your donation to charity would be $£100 \times \frac{100}{80} = £125$. Higher rate relief due to you would be:

£25 if you pay tax at 40% (£125 at 20%); or

£37.50 if you pay tax at 50% (£125 at 20% plus £125 at 10%).

You do not need to calculate the amount of the relief due. Simply enter the total amount of payments made under Gift Aid in boxes 5, 6, 7 or 8 (as appropriate) on page TR 4 of your tax return. Please keep a record of the individual amounts in case we ask you for more information. If you make any Gift Aid donations to non-UK charities please enter the total amount of such donations in box 12.

The grossed-up amount of any Gift Aid donations you make reduces the level of your income when calculating any entitlement you may have to the age-related personal allowance. Without this information you may not receive all the allowances that you are entitled to.

If you make any Gift Aid payments between 6 April 2012 and the date you submit your tax return for year ended 5 April 2012, you can include those payments in that return. This means that any relief due on those payments will be given for the year before the one in which the gift was actually made, so relief is given earlier. You will need to have paid enough Income Tax or Capital Gains Tax in the earlier year to cover the tax that the charities reclaim on those donations. You should enter the amount of these payments in box 8 on page TR 4 of your tax return.

Payments made on or after 6 April 2012 can only be included in the return for the year ended 5 April 2012 if your return is sent to reach us before the appropriate filing date. You must make any claim to carry back a Gift Aid donation to the previous tax year in your original tax return for the year ended 5 April 2012. We cannot accept a first claim or a higher claim in an amended tax return for the year ended 5 April 2012.

Gifts of shares and securities to charity

You can claim relief against Income Tax for certain gifts of shares and securities to charity. You can also claim the relief if you sell the shares or securities to the charity for less than their market value. This is in addition to the exemption from Capital Gains Tax on such gifts.

The relief applies to gifts of ‘qualifying investments’ to charities made on or after 6 April 2000.

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Qualifying investments are:

- shares or securities listed on a recognised stock exchange
- shares or securities dealt in on a designated market in the UK. The only markets currently designated for these purposes are the Alternative Investment Market (AIM) of the London Stock Exchange and the PLUS-Quoted Market of PLUS Markets
- units in an Authorised Unit Trust
- shares in an open-ended investment company (OEIC)
- an interest in certain overseas collective investment schemes (broadly, schemes equivalent to unit trusts or OEICs).

The relief that you can claim will usually be the market value of the shares or securities at the time you give or sell them to the charity:

- plus any incidental costs of disposal (for example, brokers' fees or stamp duty)
- less the value of any consideration or benefits that you receive in connection with the gift or sale.

You should also deduct the aggregate amount of any 'disposal-related liabilities' in calculating the amount of relief. In broad terms, disposal-related liabilities are liabilities to which the charity becomes subject in connection with the transfer. It is unlikely that any disposal-related liabilities will arise in connection with a simple gift of shares or securities.

There are special rules designed to prevent the relief being used for tax avoidance purposes. Where these rules apply, relief may be restricted or withdrawn. You should check with your tax adviser before claiming relief if you have participated in a tax avoidance scheme the purpose of which was to obtain or increase tax relief by giving shares or securities to a charity.

The amount that you enter in box 9 on page TR 4 of your tax return is the amount of the relief that you are claiming. If you are claiming relief for any donations of shares or securities to non-UK charities please enter the total amount in box 11.

Please keep all the documents relating to the transfer of the shares or securities to the charity in case we ask for further information from you.

Gifts of real property to charity

You can claim relief against Income Tax for certain gifts of land and buildings to charity. You can also claim the relief where you sell the property to the charity for less than its market value. This is in addition to the exemption from Capital Gains Tax on such gifts.

A qualifying interest in land is the whole of a person's beneficial interest in freehold or leasehold land in the UK.

If you have granted a lease of land to a charity, that lease may count as a qualifying interest in land. If the lease is rent-free or below a market rent, relief may be available.

Where land is held by two or more persons, all of the joint owners must dispose of their interest in the property to the charity if any of them are to claim relief. The charity must give you a certificate specifying the land and the interest it has accepted from you.

There are special rules designed to prevent the relief being used for tax avoidance purposes. Where these rules apply, relief may be denied or withdrawn.

The relief that you can claim is the market value of the property at the time you give or sell it to charity:

- plus any incidental costs (for example, legal fees)
- minus the value of any consideration or benefits that you receive in connection with the gift or sale.

You should also deduct the aggregate amount of any disposal-related liabilities in calculating the amount of relief. In broad terms, disposal-related liabilities are liabilities to which the charity becomes subject in connection with the transfer. It is unlikely that any disposal-related liabilities will arise in connection with a simple gift of property.

The amount that you enter in box 10 on page TR 4 of your tax return is the amount of relief that you are claiming. If you are claiming relief for any gifts of property to non-UK charities please include the total amount of such donations in box 11.

Please keep the documents relating to the gift or sale of the property to the charity in case we ask you for more information.

Payroll Giving

If you give to charity using a Payroll Giving scheme you will already have received tax relief at source. The amount of pay that you enter on the *Employment* page of your tax return is the amount after deducting your Payroll Giving donations. This is the amount shown by your employer on form P60 or P45. This ensures that you receive all the tax relief due. Do not enter the amount of Payroll Giving donations anywhere on your tax return.

You can find more information about giving to charity on our website.

Go to www.hmrc.gov.uk

These notes are for guidance only, and reflect the position at the time of writing. They do not affect any rights of appeal. Any subsequent amendments to these notes can be found at www.hmrc.gov.uk