

ADVISER

Today

Summer 2022

TAX RELIEF THROUGH DONATING

to UK CHARITIES



“...TELL HMRC ABOUT YOUR GIFTS TO CHARITY, AND CLAIM ANY TAX RELIEF”

Many individuals and businesses make financial donations to UK charities throughout the year to support fundraising opportunities and charitable events that are close to their heart.

Many are aware that if the donor is a UK taxpayer, they can elect to have their donation classified under the ‘Gift Aid’ scheme so that the charity can reclaim 25% of the donation from HMRC. However, some people are unaware that if the donor is a higher rate taxpayer that they too can claim tax relief for cash donations made to charities. Graham Doubtfire, Private Client Tax Partner explores this further below.

Self-Employed

If you normally complete a Self-Assessment tax return, you can tell HMRC about your gifts to charity, and claim any tax relief, by completing the appropriate section on your tax return. If you do not complete a tax return, you can contact HMRC directly to inform them of the donations so that they can make the appropriate adjustments.

PAYE Employed

If you pay tax at a rate higher than 20% through PAYE (in other words, you are a higher rate tax payer), HMRC can give you any tax relief for charitable cash donations through your tax code. This means any refund will be paid when your wages or pension are paid to you. This means your employer or pension provider will take less tax off your wages or pension. If not, you may have to obtain a refund directly from HMRC. It is therefore important

to keep records of all your donations made under Gift Aid.

Claiming the tax relief yourself by contacting HMRC should be straightforward. Some businesses target taxpayers who have tax relief to reclaim on their Gift Aid donations. Their service may be to contact HMRC on your behalf telling them about your circumstances and donations – for a fee. You can avoid incurring fees unnecessarily by doing this yourself unless you have other complications with your tax affairs and need to seek advice.

An example of tax relief through a charitable donation

You donate £100 to a charity who then claims 25% through Gift Aid to make your donation £125. You pay 40% tax so you can personally claim the other £25 from HMRC.

	Individual taxpayer		Charity	
Basic rate taxpayer (20%)	Cost of donation	£100	Actual donation received	£100
	Net cost to donor		Tax reclaimed from HMRC through Gift Aid	£25
		£100	Donation received	£125
Higher rate taxpayer (40%)	Cost of donation	£100	Actual donation received	£100
	20% tax reclaimed by you of total donation including Gift Aid	£25	Tax reclaimed from HMRC through Gift Aid	£25
	Net cost to donor	£75	Donation received	£125

If you would like to get in touch with one of our tax advisers to discuss your charitable donations in more detail, please call our Tax team.



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