New Quadrant

Private Office – Legal, Tax & Trusts

Building a lifelong relationship of trust with you, your family and future generations

Understanding Gift Aid

Gift Aid is a UK tax relief that allows charities to claim back basic-rate Income Tax on donations made by UK taxpayers. This increases the value of your gift at no extra cost to you.

How Gift Aid Works

When you donate to a UK-registered charity and tick the Gift Aid box, your donation is treated as having been made after basic-rate tax (currently 20%). The charity can claim an extra 25p from HMRC for every £1 donated.

e.g. Donate £100 → the charity receives £125.

Who Can Use Gift Aid?

You can use Gift Aid if:

- You are a UK taxpayer, and
- You have paid at least as much UK Income Tax [or Capital Gains Tax] in the tax year as the charity will claim back on your donations.

If you don't pay enough tax, HMRC can ask you to repay the shortfall.

If you pay tax at 40% or 45%, you can claim extra personal tax relief:

- You reclaim the difference between the higher/additional rate and the basic rate.
- This is done through:
    - Your Self Assessment return, or
    - Asking HMRC to adjust your tax code.

Below illustrates how much extra tax relief you can claim on a £100 donation (England & Wales only) if you are a higher or additional rate taxpayer:

Tax band	
Higher Rate (40%)	£25.00
Additional Rate (45%)	£31.25

Which Donations Qualify?

Gift Aid usually applies to:

- Cash donations (including cheques, bank transfers and card payments)
- Regular direct debits
- Membership subscriptions, such as English Heritage and the National Trust (if no significant benefits are received)

Important Points to Remember

- You must complete a Gift Aid declaration and claim the relief on your tax return
- Similarly, the charity you donate to must claim the relief
- Gift Aid can usually be backdated up to four tax years, provided you paid enough tax in those years.

Capital Gains Tax relief on gifts to Charity

In a similar way that Gift Aid allows some individuals to claim Income Tax relief on donations they make to charity out of their income, gifts of capital assets to charity can qualify for relief against Capital Gains Tax (CGT)

Charitable giving can be very flexible. You can:

1. Gifts of assets to UK registered charities are generally exempt from CGT. The disposal is treated as giving rise to no chargeable gain and no allowable loss.
2. The relief applies to most chargeable asset types, including quoted shares and securities, land and buildings.
3. Because the gain is exempt, other CGT reliefs (e.g. annual exemption, losses, business asset reliefs) are generally not needed or used on the gift itself.

If you're considering charitable giving as part of your will or estate planning, we can help you. Feel free to get in touch if you'd like personalised guidance or a review of your current plans.