

Charitable giving

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

- Gift Aid (including deeds of covenant)
- gifts of shares and securities to charity
- gifts of land and buildings to charity
- Payroll Giving.

You can now share your tax repayment with a charity using the Tax Return, and use Gift Aid to increase its value. See page TRG 14 in the Tax Return guide.

From time to time changes to these reliefs may be introduced that are not reflected in this Help Sheet 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 questions 5 to 10 in the 'Charitable giving' section of the Tax Return.

Gift Aid

This is a relief for gifts of money to UK charities.

Gifts can also be made to Community Amateur Sports Clubs (CASCs) using Gift Aid. The rules governing the operation of Gift Aid are the same for CASCs as for charities. In order to become a CASC a club is required to register with us.

For payments to be within Gift Aid you will need to have given the charity a declaration saying that you want your gifts to be within Gift Aid. Declarations can be given in writing or orally (usually by phone), including by electronic means such as email, text message or voice mail.

There is no upper or lower monetary limit on the amount of a gift that can qualify for Gift Aid.

Payments to charities made under the Gift Aid scheme are treated as having been made after deduction of Income Tax at the basic rate. The charities that receive Gift Aid payments can reclaim that Income Tax from us. 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 charities reclaim.

If you pay Income Tax at the starting rate or basic rate no additional relief is due on your gifts.

If you pay Income Tax at the higher rate you will be able to claim relief based on the 'grossed-up' amount of your gifts. This is explained below.

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 and the Income Tax and Capital Gains Tax due on your income and chargeable gains.

Even if you are not claiming higher rate relief it is important that you enter the total amount of your Gift Aid payments in boxes 5, 6, 7 or 8 (as appropriate) on page TR 4 of your Tax Return. The higher rate relief that you can claim is based on the grossed-up amount of your gifts. With a basic rate of Income Tax of 22% gifts are grossed-up by multiplying the amount you give by 100 divided by 78 (100/78). The relief is given at the difference between higher rate and basic rate. So for 2007-08 the relief is given at 18%.

Example

If your Gift Aid payments add up to £240 in 2007-08 the grossed-up amount would be $£240 \times 100/78 = £308$. The relief due would be $£308 \times 18\% = £56$.

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 for further information from you.

If you make any Gift Aid payments between 6 April 2008 and the date you submit your Tax Return for year ended 5 April 2008, you can include those payments in that Return. This means that any relief due on those payments will be given for the year prior to that 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.

Payments made on or after 6 April 2008 can only be included in the Return for the year ended 5 April 2008 if they were made before 31 January 2009 and your Return is sent to reach us before 31 January 2009. You should enter the amount of these payments in box 8 on page TR 4 of your Tax Return. You cannot include payments made on or after 6 April 2008 if you are sending us an amended Tax Return for 2007-08.

The gross 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. If you are aged 65 or over, or, for the married couple's allowance, you or your spouse or civil partner were born before 6 April 1935, it is important that you enter details of your Gift Aid payments. Without this information you may not receive all the allowances that you are entitled to.

Deeds of covenant

Before 6 April 2000 there was a separate tax relief for gifts to UK charities made under deeds of covenant. This relief was brought within Gift Aid from 6 April 2000.

Payments made under deeds in existence before 6 April 2000 are automatically within Gift Aid. Payments under such deeds can continue to be made until the deed expires.

Payments made under deeds of covenant entered into on or after 6 April 2000 do not attract any tax relief unless you have given the charity a Gift Aid declaration.

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 UK charities made on or after 6 April 2000.

Qualifying investments are:

- shares and securities listed on a recognised UK or overseas stock exchange. This includes the Alternative Investment Market in the UK
- 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 is 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)
- minus the value of any consideration or benefits that you receive in connection with the gift or sale.

The amount that you enter on your Tax Return is the amount of the relief that you are claiming.

For transfers to charities made on or after 2 July 2004 you should also deduct the aggregate amount of any 'related liabilities' in calculating the amount of relief. In broad terms, related liabilities are liabilities to which the charity becomes subject in connection with the transfer. It is unlikely that any related liabilities will arise in connection with a simple gift of shares or securities.

Please keep all the documents relating to the transfer of the shares 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.

The relief applies to gifts of a 'qualifying interest in land' made on or after 6 April 2002.

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.

The amount that you enter in box 10 on page Ai 4 of the *Additional information* pages is the amount of relief that you are claiming.

For transfers to charities made on or after 2 July 2004 you should also deduct the aggregate amount of any related liabilities in calculating the amount of relief. In broad terms, related liabilities are liabilities to which the charity becomes subject in connection with the transfer. It is unlikely that any related liabilities will arise in connection with a simple gift of property.

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

For further information about giving to charity 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.