

## CHARITABLE GIVING

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

- **Gift Aid (including deeds of covenant and Millennium Gift Aid)**
- **Gifts of shares and securities to charity**
- **Payroll Giving**

### GIFT AID

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

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, electronically (e-mail) or orally (usually by telephone). If you have given an oral declaration the charity should have confirmed the position in writing.

Before 6 April 2000 payments of less than £250 did not qualify for Gift Aid. Payments of any amount made on or after 6 April 2000 can qualify.

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 the Inland Revenue. 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 box 15.6 on page 5 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 2000-2001 the relief is given at 18%.

### Example

If your Gift Aid payments add up to £240 in 2000-2001 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 box 15.6 on page 5 of your Return. Please keep a record of the individual amounts in case I ask for further information from you.

Our leaflet *IR65: Giving to Charity by Individuals*, available from the Orderline, gives more details.

### 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 has been 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.

### MILLENNIUM GIFT AID

This special relief is available for certain gifts made between 31 July 1998 and 31 December 2000. The relief applies to cash gifts of over £100 by UK resident individuals to UK charities to advance education and relieve poverty in the world's poorest countries. The qualifying amount of £100 can be paid to the charity in instalments with relief being due when £100 is reached. Our leaflet *IR163: Millennium Gift Aid*, available from the Orderline, gives more details.

### GIFTS OF SHARES & 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.

Leaflet *IR178: Giving Shares and Securities to Charity*, available from the Orderline, gives more details.

## **PAYROLL GIVING**

If you give to charity using a Payroll Giving scheme you will already have received tax relief at source. You do not need to claim relief again in your Tax Return.

Leaflet *IR65: Giving to Charity by Individuals*, available from the Orderline, gives more details about Payroll Giving.

*These notes are for guidance only, and reflect the position at the time of writing. They do not affect any rights of appeal.*