

# Gift aid

Gift aid is great. I love it.

First and foremost, it is a way of boosting the income of UK Charities.

Less well known is the fact that it can also reduce the tax liability of the donor. It is my hope that if I publicise this, and some of you receive tax refunds as a result, this might result in further donations to charity. (Am I naive?)

## **Facts:**

- If you are a basic-rate tax payer, for every £80 which you pay to a Charity, the Charity can claim an extra £20
- If you are a 40% tax payer, for every £80 which you pay to a Charity, the Charity can claim an extra £20 and you receive a tax reduction of £20
- This is the only 'expense' where you can elect to treat payments made in one year as if they were made in the previous year – very beneficial if your marginal rates of tax are changing from year to year
- Particularly beneficial if you are caught in tax trap 1 or 2 (see separate articles)
- Does not help in issue of Annual Allowance tapering

Important – If you are a higher-rate tax payer, and have been making gift-aided donations, and have never told your accountant or HMRC about them, you can reclaim tax going back 4 years.

## **Warning:**

When you sign a gift aid form, you are stating that you are a tax payer. Things can change over time. You may unfortunately lose your job. You may retire. Say you give £800 to a Charity in a particular year. The charity can claim an additional £200 from HMRC. If you end up not paying tax for that year, HMRC will come after you for the £200, not the Charity. If you only pay tax of £50 in that year, HMRC will come after you for the balance of £150.

Neil Robinson

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