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For full details please see our website at
www.hendersonblack.co.uk

The information in this leaflet is a general description only and specific advice should always be obtained before taking any action.

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Henderson Black & Co

CHARTERED ACCOUNTANTS

GIFT AID

AND

CHARITIES

ANSTRUTHER
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ST ANDREWS



GIFT AID & CHARITIES

Background

Finance Act 2000 introduced the Gift Aid system which replaced the giving under deed of covenant. Gift Aid simplified the rules of giving for both the individual and the charity and this leaflet provides an outline of the key points.

Key aspects of giving – the individual

There are no minimum or maximum levels for gifts from individuals. The previous minimum level of £250 under the covenant rules was abolished from 6 April 2000.

Once an individual has made a declaration to the charity this covers all gifts from that point.

Payment is made net and tax relief can be claimed at higher rates and against income tax or capital gains tax. From 6 April 2003 relief can be claimed against the previous tax year.

For lower rate taxpayers no additional tax liability arises as a result of making donations under Gift Aid.

Donations can also be made by non-residents and also settlor interested trusts.

GIFTAID & CHARITIES

Key aspects of receipt – the Charity

In principle the charity must not provide any benefits in exchange for donations received under gift aid. All of the donations enable the charity to claim back tax equal to the basic rate, currently 20%, by grossing up the net receipt. However some small benefit is allowed as follows;

- Where the relevant aggregate is under £100, the maximum donor benefit is 25% of the aggregate value of gifts;
- Where aggregate is between £100 and £1,000 the maximum benefit is £25;
- Where aggregate is between £1,000 and £10,000 maximum benefit is 2.5%;
- Where aggregate is over £10,000 the maximum benefit is £250.
- The benefit of right of admission to a wildlife conservation charity or heritage body is ignored.

This last benefit enabled certain charities to provide donors with free admission, although this area has to be tightened up for single admissions.

Gift Aid is recovered by the charity on specific forms at a rate of 22/78 at present so that a donation of £78 generates a valuable recovery of £22. This changes after 2010/11 to 20/80.

GIFT AID & CHARITIES

Records to be kept by the Charity

The charity is required to keep detailed records in support of Gift Aid donations and these are fully described in a Statutory Instrument (SI 2000 no. 2074).

Declarations may be in writing, orally or by electronic communication. All must contain the following;

- Name and address of donor.
- Name of charity.
- Description of gift or gifts to which declaration applies.
- A statement that the gift or gifts are to be treated as Gift Aid payments.
- Where the declaration is in writing, a statement regarding the requirement to pay sufficient income or capital gains tax to cover the relief claimed.

The charity must retain the declarations along with any notices of changes of address.

Where oral declarations have been made the charity must produce a written statement containing the above and the date of the declaration and forward it to the donor for signature.