

What is Gift Aid?

Gift Aid is a simple way for your charity to increase the value of gifts of money received from UK taxpayers.

How does Gift Aid work?

When a UK taxpayer gives a gift of money to a charity, they have already paid tax on that money. Because charities are generally exempt from tax, they can claim an amount from HM Revenue & Customs (HMRC) equal to the tax paid on that money by the donor. This repayment from HMRC is known as Gift Aid.

How much is Gift Aid worth to my charity?

By asking donors for permission to reclaim the tax that they have paid on their donation, you can increase the value of donations to your charity by one quarter.

From 6 April 2008 the basic rate of Income Tax is 20 per cent. This means that for every £1 qualifying donation received, your charity can claim repayment of 25 pence.

This is because a donor who is a basic rate tax payer will pay 25 pence tax when they earn £1.25 – £1.25 taxed at 20 per cent equals 25 pence tax. This leaves the donor with £1.00 net income after tax is deducted. Charities are allowed to reclaim this tax; which is why they can claim back 25 pence for every pound that is donated.

During the period 6 April 2008 and 5 April 2011 HMRC also paid charities an extra three pence for every £1 Gift Aid donation. This was called ‘transitional relief’ and was provided by Government to give charities time to adjust to the 2 per cent reduction in basic rate tax in April 2008. Find out about the time limits for claiming Gift Aid, including transitional relief, in Help Sheet 11.

Toolkit tip: The claim forms included in this toolkit will automatically help you to claim the correct amount as you fill in the boxes.

Why are Gift Aid declarations important?

A donor must have paid enough tax on their income before charities can claim it. It’s important that HMRC can verify the connection between your tax repayment claim and the tax paid by the donor. In other words, every claim must be supported by a Gift Aid declaration that shows who paid the tax in the first place.

Find out more about Gift Aid declarations in Help sheet 2 – What is a Gift Aid declaration?

