

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 HMRC equal to the tax paid on that money by the donor. This repayment from HM Revenue & Customs (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.

The basic rate of tax has changed. Does this affect Gift Aid repayments to my charity?

Until 5 April 2008 the basic rate of Income Tax was 22%. This meant that for every £1 qualifying donation received, your charity could claim repayment of 28 pence. From 6 April 2008 the basic rate of Income Tax is 20%. This means that for every £1 qualifying donation received, your charity can claim repayment of 25 pence.

HMRC will automatically pay charities an extra 3 pence for every £1 Gift Aid donation received between 6 April 2008 and 5 April 2011. This is called 'transitional relief' and was provided by Government so that charities had time to adjust to the 2% reduction in basic rate tax – for three years they continue to receive the same amount (28 pence) for each £1 donation as they did until 5 April 2008. There is no need to claim this extra 3 pence – your claim must be for 25 pence but you will automatically receive 28 pence.

Find out more about the time limits for claiming Gift Aid in Help Sheet 11.

Toolkit tip: Claiming online is faster, can prevent delays and save postal costs. The new service will have built-in checks that will tell you about mistakes before you submit your claim, reducing the need for claims to be sent back to you to be corrected.

Why are Gift Aid declarations important?

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?

