

Charitable donations from businesses and Gift Aid

Gift Aid - What is it?

Businesses can get tax relief under Gift Aid when they give money to UK charities. Gift Aid is a very simple and effective way for businesses to support charity. It applies to donations any amount of money given to UK charities.

When a business makes a qualifying donation to a charity, the amount paid is treated as a 'charge on income'. For further information on Gift Aid legislation, visit the HMRC website at www.hmrc.gov.uk

Gift Aid – How do I stand?

The way Gift Aid works depends on whether your business is a company, sole trader or partnership:

For companies

To give through Gift Aid, a company simply gives the money to charity. The company does not deduct any tax from the donation and does not need to make a Gift Aid declaration to the charity. Tax relief is given by deducting the amount of the donation from profits prior to calculating corporation tax. Unlike Gift Aid donations from individuals, when a business gives through Gift Aid, the charity is not entitled to reclaim any tax against the value of that donation. For further details about the effect of a donation on corporation tax liability, contact your company's tax office.

For self-employed

Gift Aid donations from the self-employed (sole traders) are treated in the same way as Gift Aid by individuals. Therefore, the donation will be treated as paid out of taxed income and the charity will reclaim basic rate tax on it from the Inland Revenue. The trader will be required to complete a Gift Aid declaration for the charity. A higher rate taxpayer can get relief on the difference between the basic rate and the higher rate of tax on the gross amount of the gift by the gift on his/her tax return.

For partnerships

Gift Aid donations received from businesses that are run as partnerships are treated as donations of equal amount from the individual partners, unless the partnership decides to split them in different proportions. The tax position will be as described for Gift Aid by individuals.

Unless one partner has power under the partnership agreement to make a Gift Aid declaration on behalf of the partnership, a Gift Aid declaration will be required from each partner. This can be done on one form provided it includes each partner's details. (The position is different in Scotland where a partner may make a Gift Aid declaration on behalf of the partnership by simply showing the partnership's name and address).

Gift Aid - What do I look out for?

For businesses which give through Gift Aid, there is no limit on what benefits may be given from the charity in return. However, for a "close company" (controlled by five or fewer people), partnerships and the self-employed, there are limits on the value of any benefits that a charity may give in return. The limits are the same as those that apply to Gift Aid donations by individuals. For further details, visit the HMRC website at www.hmrc.gov.uk

For any other information visit the HMRC website at www.hmrc.gov.uk

