

## Tax-Efficient Giving

### Individuals

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There are a number of schemes operated by the Inland Revenue, which make it easy to give to charity in a tax-efficient way.

- Gift Aid
- Gifts of land, buildings and securities

#### Gift Aid

If you pay tax in the UK, then Gift Aid is a simple way to increase the value of your gift to a charity. Making your donation using Gift Aid will enable the charity to reclaim the basic rate tax on your gift to them. This means that if you give £10 to charity using Gift Aid, that gift is worth £12.82 to the charity.

You can calculate the amount of tax the charity will reclaim using the following formula.

Amount of gift x basic rate of income tax

100 minus the basic rate

So, with the basic rate of 22%, the charity reclaims  $\frac{22}{78}$ th of your gift.

#### *Higher Rate Tax Payers*

If you are a higher rate tax payer, you can claim the difference between higher rate of tax at 40% and the basic rate of tax in your Self Assessment return. From April 2004 you will be able to gift repayments to a charity of your choice. This means that your original gift could be worth even more to the charity.

#### *Gift Aid Declaration*

To make your gift tax-efficient under the Gift Aid scheme, simply tick the relevant box on the donation form provided.

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#### Gifts of land, buildings, shares and securities

You can now also claim relief on gifts of certain assets to charity. This includes selling the asset to a charity at less than market value. A company cannot, however, get relief for a gift of its own shares.

#### What land, buildings, shares and securities qualify?

The following categories qualify.

- Shares and securities listed or dealt in on the UK Stock Exchange, including the Alternative Investment Market.
- Shares and securities listed or dealt in on recognised foreign stock exchanges.
- Units in an authorised unit trust.
- Shares in a UK open-ended investment company.
- Holdings in certain foreign collective investment schemes.
- A qualifying interest in land. A qualifying interest in land is the whole of a person's beneficial interest in freehold or leasehold land in the UK.

If in doubt, we can tell you whether the gift or sale will qualify for relief.

#### How do I calculate the amount of relief?

The amount of relief you can claim is

- the market value of the qualifying investment at the time you give them or sell them to charity, **plus**
- any incidental costs (for example, brokers fees or legal fees), **less**
- any disposal proceeds or other money, or the value of other benefits you or a person connected with you (such as, a relative or connected company), receive in consequence of you giving or selling the qualifying investment to charity.

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#### Are there any forms that need to be completed?

No, evidence of the gift of shares or securities having been made to the charity may be in the form of a copy of the stock transfer form or letter from the charity acknowledging receipt of the gift.

For gifts of real property, you will need a certificate from the charity that must contain all the following information.

- A description of the qualifying interest in land, which is the subject of the disposal.
- The date of the disposal.
- A statement that the charity has acquired the qualifying interest in land.

#### How do I claim the relief?

Calculate the amount of relief as described on the previous page. The amount should be entered on your Self Assessment return

If you are a partner or a sole trader, you should deduct the relief when you calculate your income for the tax year in which you make the gift of shares, securities or real property. You should enter the amount on your Self Assessment return

#### Bequests and inheritance tax

Outright gifts and bequests to UK charities are completely free of inheritance tax.

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**Source:** This is an excerpt from the Inland Revenue leaflet *IR 65: Giving to charity by Individuals*. For further information on tax-efficient giving visit the Inland Revenue Website on <http://www.hmrc.gov.uk/leaflets/c10.htm>