GUIDE 5: Gift Aid & Higher Rate Taxpayers

Did you know that if you are a Higher Rate Taxpayer, paying tax at 40%, you can reclaim £25 yourself for every £100 you donate to churches and charities through Gift Aid?

Churches and other charities can only reclaim the basic rate of tax on Gift Aided donations, no matter whether the donor pays basic rate or higher rate tax. However, HMRC allows higher rate taxpayers to reclaim the difference between basic and higher rate tax themselves. For example, if you pay tax at 40% and you donate £100 to your church, your church can claim £25 basic rate Gift Aid, and you can claim £25 for yourself too. This means your gift of £100 has only cost you £75, even though your church has received £125.

You can claim your Gift Aid relief either through the Self Assessment process, or you can simply write a letter to HMRC telling them how much you have donated through Gift Aid at the end of a Tax Year. If you give regularly, they can then amend your tax code so you get the relief ongoing.

So if I am a higher-rate taxpayer, what should I do?

You can either increase your giving upfront to take account of the amount you will later be able to reclaim, or you can donate the amount you reclaim retrospectively. Either method can give a big boost to your church’s income at no cost to you or your church! Whichever method you choose, if you are higher rate taxpayer please be sure to maximize the income your church receives by taking advantage of this generous tax-efficient mechanism.

P.S. A note for churches

You should encourage higher-rate taxpayers in your congregation to take advantage of HMRC’s generosity in allowing them to reclaim the difference between higher and basic rate tax themselves. Not all higher-rate taxpayers are aware of this allowance and it really should make a difference to your church’s income. It can be difficult to know who your higher-rate taxpayers are. Some churches write to all their donors rather than making assumptions about individuals’ income levels. You could simply link to this Guide if you wished.

Disclaimer: The Parish Resources Gift Aid Guides in the series are intended as guidance only. You should consult HMRC or other professional adviser if you are in doubt as to the Gift Aid regulations. This Fact Sheet was produced in August 2015 and is available to download from the Parish Resources website at http://www.parishresources.org.uk/giftaid.htm