

MARCH 2022

Tax relief for charitable donations

The events in Eastern Europe in recent days have focussed our attention on the plight of displaced persons in Ukraine and how we might donate to ease their suffering.

This update sets out the tax relief you can claim should you donate. Providing the agency you are donating to is a charity the following rules will apply:

Donations from your limited company

As your company is not subject to income tax the gift aid regulations do not apply. Accordingly, any donation from your company is treated as a business expense that reduces your profits and therefore reduces your corporation tax bill. Donations to all UK registered charities are tax deductible.

Donations from individuals

If you make a personal donation to a charity, that offers gift aid options, the amount you give is treated as received by the charity after 20% tax has been deducted. As long as you have paid enough tax on your earnings to cover the deemed tax deducted, the charity can recover the 20% tax from HMRC.

This turns a net donation from you of say £80 into £100 received by the charity (£80 from you and £20 from HMRC).

If you pay income tax at 40% or 45% you can claim the excess over the 20% basic rate (20% or 25%) by making a claim on your self-assessment tax return or by contacting HMRC and making a claim.

To secure the claim to HMRC, the charity will ask you to make a gift aid declaration when you make your donation.

Note – regional variations may apply when there are differences in local income tax rates, Scotland for example.

Government supported appeal - DEC

Certain appeals may draw matching funding from the UK government; this is the case with an appeal launched by the Disaster Emergency Committee to secure funding for humanitarian relief in Ukraine.

The government will match donations £ for £ up to a £20m ceiling.

14 March 2022

To view more information on this appeal, go to <https://www.dec.org.uk/appeal/ukraine-humanitarian-appeal>.

Tax planning note 2021-22

Charitable donations can also be used to reduce an individual's net income below certain break points. For example, below £50,000 to avoid repayment of Child Benefits and below £100,000 to avoid loss of the income tax personal allowance.

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