

Donations

This factsheet is designed to give a brief overview of the rules and regulations surrounding charity donations.

There are two main ways in which you can donate to a charity, either personally or via your company and each method could be advantageous from a tax perspective, depending on your circumstances.

Personal Donations

These are donations made to a charity from personal funds and as such attract personal tax relief if they are donated under the 'gift aid' rules. The charity will be able to reclaim basic rate tax from the government so that the net contribution made personally turns into a gross contribution for the charity i.e. You contribute £80 to charity from personal funds, the charity then reclaims £20 (£80 divided by 80 multiplied by 100) and as such the £80 donation is turned into £100 for the charity.

Your basic rate band will also be extended by the grossed up charity donation (£100 in this example) so if you are a high rate tax payer, tax relief is given in full i.e. up to the top rate of tax you pay.

To ensure that the charity can reclaim the basic rate tax, you have to certify under the 'gift aid' rules that you have paid sufficient tax to cover the tax the charity will be reclaiming. If you have not paid enough tax to cover the amount of tax the charity is reclaiming, then you cannot make the donation under the 'gift aid' rules.

Company Donations

These are contributions made to a charity from company funds and as such gain relief from Corporation Tax, assuming they are 'wholly and exclusively' for the purpose of trade. You need to ensure that the charity is aware that the donation is from the company and it should be paid direct from the company account.

To ensure that full Corporation Tax relief is available, the charity donations should not cause the company to make a tax loss, as the gift aid donations will then be 'lost' for Corporation Tax purposes i.e. you cannot carry back/forward tax losses caused by excess gift aid donations. You will also need to ensure that any benefit to the company or connected person (directors, director's spouse, director's family etc.) is within set guidelines as per the below table:

Donation Value	Benefit Allowed
£0 - £100	Up to 25% of the donation value
£101 - £1,000	Up to £25
£1,001 - £10,000	Up to 5% of the donation value
Above £10,000	Up to £500

Certain donations will still not qualify for Corporation Tax relief even if the above conditions are met, broadly speaking they are any donation/gift that comes with a condition about repayment or an arrangement to purchase property from the donee or connected person.

Better to donate from the company or personally?

This depends totally on your personal circumstances, as it is sometimes better to make personal donations and sometimes better to make company donations. However, in most cases the difference in tax efficiency is below 1% so unless the donation is going to be of significant value, the tax saving between the two options is likely to be minimal.



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