

# Gift Aid Guide

**Giving  
in Grace** 

St Edward the Confessor

## What is Gift Aid?

Gift Aid is a means of reclaiming tax from HMRC in a simple, very valuable and completely legitimate way to increase your giving to help Church finances.

The following questions are answered below:

1. Do I pay tax?
2. What is a Gift Aid Declaration?
3. Why does HMRC repay tax?
4. How does a Gift Aid tax reclaim work?
5. Do I pay enough tax?
6. What if I pay higher/additional rate tax?

## 1. Do I pay tax?

'Tax' means income tax (and capital gains tax). This includes:

- PAYE if you are employed.
- Income tax if you are self employed.
- Tax deducted at source from savings income e.g. bank deposits, dividends.
- Tax deducted from state and private pensions.

Many people pay tax and never have to complete a Self Assessment Tax Return. If you are unsure whether you pay tax, the Stewardship Recorder will be happy to advise.

If you are a non taxpayer, then there is no point in signing a Gift Aid Declaration – you have paid no tax so none can be reclaimed.

## 2. What is a Gift Aid Declaration?

A Gift Aid Declaration simply states that you have been paying tax and that you are happy for St Edward's to reclaim this tax as Gift Aid on your donations.

A Gift Aid declaration is inserted in this guide or is available from the Stewardship Recorder.

Without a Gift Aid Declaration we cannot reclaim tax on your donations.

## 3. Why does HMRC repay tax?

The UK Government is keen to help finance charities, like St Edward's, in recognition of their helpful activities, in our case within the Parish and local community and further afield through our mission giving.

Tax is 'reclaimed' by St Edward's i.e. it has already been paid to HMRC by you and is simply being returned to St Edward's. It is not an extra sum of money donated by the Government!

This is why it is very important that everyone who pays tax signs a Gift Aid Declaration so the Stewardship Recorder can reclaim their tax.

## 4. How does a Gift Aid tax reclaim work?

This is best explained with an example:

Mary knows she is a taxpayer and her income comprises employment/pension/ savings. For every £1.25 income she receives she pays basic rate tax of 20%. So she keeps £1.00, HMRC gets 25p.

Mary decides to give her £1.00 to St Edward's and signs a Gift Aid Declaration. The Stewardship Recorder can then reclaim from HMRC the 25p tax she has already paid. Easy! So for every £1.00 Mary donates St Edward's reclaims 25p; 25% of all her donations.

If Mary gives £50 per month by standing order, then her annual donation totals £600. The Stewardship Recorder reclaims an extra 25% (£150) so the total gift is worth £750.

If Mary gives £10 per week by the envelope scheme, then her annual donation totals £520. The Stewardship Recorder reclaims an extra 25% (£130) so the total gift is worth £650.

Tax reclaims can add up to a significant increase in giving for the church.

## 5. Do I pay enough tax?

HMRC will only repay tax that they have received in the first place!

So in the first example above, so long as Mary has paid £150 or more tax in the tax year (6th April to 5th April) in question, a full reclaim is available.

If however she had only paid £100 tax, then either the reclaim is restricted to the amount paid £100, or she could be asked to pay £50 extra tax to HMRC to cover the £150 reclaimed by the church.

If you have signed a Gift Aid Declaration in the past it is important therefore to tell the Stewardship Recorder if you stop paying tax or pay only a tiny amount – the wording on the Gift Aid Declaration reminds you of this. If you are in any doubt about the amount of tax you pay, the Stewardship Recorder is happy to advise.

## 6. What if I pay higher/additional rate tax?

Many people pay higher rate tax of 40%, sometimes more.

Basic rate tax of 20% is reclaimed by St Edward's as outlined above if you have signed a Gift Aid Declaration.

Higher rate tax of another 20% should be reclaimed by you from HMRC either via your SA Tax Return or direct from your tax office.

In summary – higher rate tax relief cannot be claimed by St Edward's, only basic rate.

## Contact

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