

Encourage higher rate taxpayers to
maximise their Gift Aid

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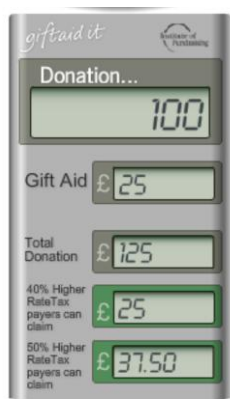
Church of Scotland
Stewardship and Finance

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Are you a higher-rate taxpayer? Did you know that if you pay tax at 40%, you can reclaim 20% of the value of your charitable donations yourself?

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. The table below illustrates this.

YOUR TAXBAND	IF YOU GIVE £100 TO YOUR CHURCH, HOW MUCH DOES IT COST YOU? (After claiming tax back on your donation if you are in the higher rate tax bands)
Non-taxpayer	£100
Basic Rate Taxpayer (20%; £0-£32,010)	£100
Higher Rate Taxpayer (40%; £32,011—£150,000)	£75 (you can claim £25 back yourself)
£62.50 (you can claim £37.50 back yourself)	£62.50 (you can claim £37.50 back yourself)



This table shows how much a gift of £100 'costs' people in different taxbands

You may also like to visit the Institute of Fundraising's <http://www.tax-effective-giving.org.uk/> and use their Gift Aid calculator

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**.

The 'upfront' method may be simpler; it retains the link with your monthly giving, benefits your church slightly more financially and enables it to predict its income securely. However, if you are self-employed, receive bonuses or for any other reason have an unpredictable income, it may be easier for you to work out your proportionate giving retrospectively.

Method 1: Increasing my donations upfront. What do I need to do?

Simply use the multiplier in the chart below to work out how much more you should be giving upfront to take account of the amount you will be able to reclaim for yourself from HMRC.

The table below shows the additional amounts you should give if you are a higher-rate tax payer and want to give more upfront so that your gift costs you the same as it would cost a basic rate or non-taxpayer (allowing for the tax you can reclaim for yourself on your donations).

 Which tax band are you in?	 Amount you donate to your church	 How much it costs you (after claiming tax back on your donation) if you are in the higher tax bands	 So, by how much should you multiply your gift?	 Final amount church receives (including gift aid)
Non taxpayer	£100	£100	n/a	£100
Basic Rate Taxpayer (20%)	£100	£100	n/a	£125
Higher Rate Taxpayer (40%)	£133	£100	x 1.33	£166
Highest Rate Taxpayer (50%)	£160	£100	x 1.6	£200






Method 2: Donating the tax I can reclaim retrospectively. What do I need to do?

At the end of each year, work out how much tax you will be able to reclaim from HMRC as a result of the Gift Aid donations you have made to your church, and donate that amount to your church as an additional one-off donation. Don't forget you can add Gift Aid to this additional donation too! The table below shows how this might work.

You may find the Gift Aid calculator on the IoF's website: <http://www.tax-effective-giving.org.uk/> useful.

Remember that the actual rebate you receive from HMRC (if any) will be the net result of other tax you owe or rebates you are due, and any tax credited to you as a result of Gift Aid donations will be the amount due on all donations you have made, not just on donations to your church.

This next table shows the total amount your church could receive if you donate the tax you can reclaim on your Gift Aid donations retrospectively:

 Which tax band are you in?	 Amount you donate to your church	 Amount your church can claim through gift aid	 Additional amount you can claim for yourself through your self-assessment tax return	 Final amount your church receives
Non taxpayer	£100	none	none	£100
Basic Rate Taxpayer (20%)	£100	£25	none	£125
Higher Rate Taxpayer (40%)	£100	£25	£25	£156 (£100 + £25 Gift Aid + £25 additional tax you donated + a further £6.25 Gift Aid on that)
Highest Rate Taxpayer (50%)	£100	£25	£37.50	£172 (£100 + £25 Gift Aid + £37.50 additional tax you donated + a further £9.38 Gift Aid on that)

Another Illustration

Let's say you earn £50,000 a year, so you're in the 40% tax band. You give 5% of your income or £2,500 to your church in monthly standing orders of £208/month. Here's how your gift could stack up:

Method 1:

You increase your annual gift by a third to allow for the amount you'll reclaim yourself through your tax return at the end of the year. $£2,500 \times 1.33 = £3,325$, so you give £277/month instead of £208/month. Your church claims £831 in Gift Aid on your total annual gifts of £3,325, so the grand total your church will receive is $£3,325 + £831 = £4,156$. You reclaim £831 through your tax return at the end of the year so your gifts cost you $£3,325 - £831 = £2,494$.

Method 2:

Your church claims £625 in Gift Aid on your total annual gifts of £2,500. You yourself can claim £625 tax back from HMRC through your Self-Assessment as a result of your gifts to your church. You therefore donate an additional £625 to your church, adding gift aid to this donation (and on your next tax return you can claim relief on this additional donation too). So the grand total your church could receive is $£2,500 + £625 + £625 + £156 = £3,906$. The cost to you remains just £2,500.

Conclusion:

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. Remember that the wealthy may be even more uncomfortable talking about their income than their less affluent friends, so do approach the subject with sensitivity.

Equally, make sure your basic-rate taxpayers and your non-taxpayers do not feel less valued because they cannot take advantage of the mechanisms in this guide. Often the less well-off give much more generously, relatively, than the wealthy. This higher-rate mechanism is a good opportunity to talk more broadly about sacrificial giving in relation to income.

Disclaimer: This and all 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.



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*Make your offering to the church
grow*

Stewardship and Finance department

Our remit

The General Treasurer's Department and the Stewardship Department merged to form the Stewardship and Finance Department on 1 June 2009, replacing the Stewardship and Finance Committee which was discharged by the General Assembly of 2009. The department is accountable to the [Council of Assembly](#) through its Finance Group.

The main responsibilities of the Stewardship and Finance Department are:

- Teaching and promoting Christian stewardship throughout the Church;
- Planning and delivery of stewardship programmes in congregations;
- Calculating the annual Ministries and Mission Contribution for each congregation and processing payments;
- Providing support, training and advice on financial and accounting matters to Congregational Treasurers;
- Providing management and financial accounting support for the Councils, Committees and Statutory Corporations;
- Providing banking arrangements and operating a central banking system for the Councils, Committees and Statutory Corporations;
- Receiving and discharging legacies and bequests on behalf of the Councils, Committees and Statutory Corporations;
- Making VAT returns and tax recoveries on behalf of the Councils, Committees and Statutory Corporations;
- Payroll processing for the Ministries Council, Central Services Committee and the Pension Schemes



For more information, contact the Stewardship and Finance Department:

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