

Tax-savvy charitable giving

By Tim Hardy, Shipleys Chartered Accountants

The festive season is traditionally a popular time for charitable giving and there are some often overlooked ways to give money tax-efficiently to charity.

Giving cash

Many of us are familiar with opting for Gift Aid when we give cash to charity. It enables the charity to claim back your basic tax relief. For every £1 you donate, the charity receives 25 pence from the Treasury. If you are a higher rate taxpayer, you can also claim back the difference between your top rate tax band and the basic rate at the end of the tax year. This tax relief can be offset against the year of donation or the preceding year.

Gifting shares

If you pay capital gains tax each year on share disposals from your portfolio, whilst at the same time making donations to charity, there can be tax savings to be had. Consider instead gifting shares directly to the charity. If the shares are quoted on a recognised stock exchange, this can bring both income tax and capital gains tax relief (and also counts as an exempt transfer for Inheritance Tax). It brings you a potential maximum tax saving of 65%.

Leaving a will legacy to a Charity

If you leave 10% of your chargeable estate (broadly, the amount in excess of tax reliefs and

your nil rate band) to charity in your will, this can bring your Inheritance Tax liability down from 40% to 36%. In their wills, many people like to leave fixed amounts to specific charities – such as £500 etc. It might be worth reviewing the donation level in percentage terms as, if it is approaching 10%, giving extra to charity could reduce your Inheritance Tax bill.

Donating from your Limited Company

If you are an owner of a limited company, you may want to donate to charity via your company. There is no cap on the size of the donation and, provided a business motive can be shown, it will obtain tax relief and reduce your corporation tax bill.

If you want to donate to charity more tax-efficiently, **please contact me and our friendly team at Shipleys LLP in Godalming.**

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