

## Give Until it Feels Good!

A Presbyterian Preacher I once knew was known to say that when it came to giving to charity you should give until it hurts, and then a little more until it began to make you feel good! I have never personally tested this theory, but at least giving doesn't hurt as much as it used to because the Inland Revenue have now made it relatively painless.

This is most apparent with limited companies. You used to have to pay the charity net, deducting tax, which you remitted quarterly on form CT61. Usually having made the gift, the tax issue wasn't picked up until the accountants produced year-end accounts by which time your generosity had developed a case of remedial paperwork and interest charges. Under the new system, just make the payment to the registered charity and what you pay reduces taxable profits. In addition to this type of Gift aid, other donations to bodies established for cultural, educational, religious or benevolent purposes made for trade reasons are probably allowable if they are to small local organisations.

Individuals used to need to make out cumbersome and confusing "deeds of covenant" which had to last for four years and be paid net of tax, but now "Gift Aid" has been simplified. There is now no minimum, and what you give is deemed to be paid net, with the charity collecting basic rate tax from the Inland Revenue. If you happen to be a higher rate taxpayer, then the tax between basic and higher rate is yours; just pay £78 to a charity and make a gift aid declaration. The charity "reclaims" basic rate tax so that it gets £100, while you get the balance of 40% relief against your tax return. In some cases if your income consists mainly of investment income, relief can actually be obtained at up to 44.5%!

There is a further possible wrinkle: donating shares could potentially increase the tax relief on offer to 80% if instead of giving cash you transfer shares. Not only will this avoid CGT at up to 40%, but also the value of the gift is allowable for tax return purposes, adding another 40% relief and meaning that a higher rate taxpayer could give £1000 at an effective cost of only £200.

So if you are one of those people who hate to pass up a bargain, most charities have a standard form of declaration which is worded so as to cover present and future donations to that charity, and telephone donations can also be treated as Gift Aid, so give generously to the charity of your choice.

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