

# **QEGS DEVELOPMENT FUND**

(Registered Charity No. 277055)

## **GIFTS OF MONEY FROM A BUSINESS TO A CHARITY**

### **An explanation of the Tax situation**

Some donors might find it more convenient to make their donations from their business. Businesses can claim tax relief when they give money, whether as a one-off or a regular payment. From April 2000, all gifts of money to a Charity (such as QEGS Development Fund) qualify for tax relief under the Gift Aid scheme. There is no limit to the amount that the business can give, but how you claim tax relief will depend on whether the business is a sole trader, partnership or company.

#### **How do sole traders claim relief?**

If you are trading on your own account, you can give through Gift Aid as any individual taxpayer would. Your gift will be treated as paid out of taxed income and the Charity will reclaim basic rate tax on it from the Inland Revenue. If you are a higher rate taxpayer, you can claim relief on the difference between the basic rate and the higher rate of tax on the gross amount of your gift as explained on our other Tax Advice sheet. You simply enter the details of the gift on your Income Tax Self Assessment return. You will need to make a Gift Aid declaration to the Charity.

#### **How do partnerships claim relief?**

The Inland Revenue treats any gift by a partnership as made by the individual partners. They treat you and your partners as each giving an equal share of the gift, unless you tell them that the partnership has decided to split the gift in a different way. Your gift is treated as paid out of your taxed income and the Charity will reclaim basic rate tax on it from the Inland Revenue. If you are a higher rate taxpayer, you can claim relief on the difference between the basic rate and the higher rate of tax on the gross amount of your share of the gift as explained on our other Tax Advice sheet.

Unless one partner has power, under the partnership agreement or some other document, to make a Gift Aid declaration on behalf of the partnership, each partner will need to make a Gift Aid declaration in favour of the Charity. This can be done on one declaration, providing the name and address of each partner is shown.

#### **How does a company claim relief?**

If your company decides to give money to charity, it simply makes the payment through Gift Aid and deducts the amount when working out its profits for corporation tax purposes. You make the full payment to the Charity. You do not need to deduct any tax from the payment and the Charity does not claim back any tax on the gift. You no longer have to provide a Gift Aid declaration to the Charity. If your company has no corporation tax liability in an accounting period, there are special rules regarding how any loss created by the donation can be used. You should contact the Inland Revenue office that deals with your company's corporation tax affairs if you need further information on this point.

#### **What evidence is needed of the payment to the charity?**

If required, you will need to provide the Inland Revenue with reasonable evidence of all the payments you have made to charities in the year in the same way as for other items in your Self Assessment tax return. A cancelled cheque, an entry in a bank or credit card statement, or an acknowledgement from the Charity would suffice.

**IF YOU DECIDE TO GIVE FROM YOUR BUSINESS PLEASE COMPLETE AND RETURN TO US THE ACCOMPANYING FORM ENTITLED 'GIVING FROM A BUSINESS'.**