

TAX EFFECTIVE GIVING METHODS


There are various ways to make your gift to the Keys for Life Campaign tax effective. Here's a guide to how to make any size gift go further.

1. GIFT AID

As a registered charity, St Peter's can reclaim basic rate tax (20%) on any donations that you make, at no cost to you. It is a scheme administered by the Inland Revenue which allows us to claim 25p for every £1 that you donate.

You need only tick the Gift Aid Declaration on your gift card once, as it will apply to subsequent gifts or gift payments to the school.


Example:
If you donate £1,000 by Gift Aid, the School will receive an extra £250 (the amount you have already paid in tax on the gift). Your total gift will be £1250 but it costs you only £1,000.



2. TAX RELIEF FOR HIGHER RATE TAXPAYERS

If you are a higher or additional rate taxpayer, you can reclaim any additional tax that you have paid in your annual tax return. You should enter the amount of your gift on your tax return. Your tax office will then arrange to give you the benefit of the extra tax relief (the difference between the basic rate of 20% and your higher rate of 40% - i.e., 18%) through your next assessment.

Example:
If you choose to give a total gift of £1,000 (including the school's rebate) your tax relief would be £180. Thus, a gift of £1,000 would only cost you £600, including your tax relief.



Additional rate (45%) taxpayers would be able to reclaim a further £50 in effect reducing the cost of the gift to **£550**.

3. INHERITANCE TAX

A charitable legacy gift is currently exempt from Inheritance Tax. It has the potential to reduce the tax burden on your family. The exemption has no value limit.

So, if you left your entire estate to charity, the gift would be completely free of inheritance tax. You can calculate your predicted inheritance tax liability via government's inheritance tax calculator (www.gov.uk/inheritance-tax-reduced-rate-calculator)

Example:

If your estate is worth more than £325,000, the executors of your will may have to pay inheritance tax at 40%.
If you leave 10% or more of your estate to charity you may qualify for a reduced rate of inheritance tax (36% rather than 40%).



Inheritance tax can be complicated, so please seek professional advice.

4. TAX RELIEF ON GIFTS OF SHARES AND OTHER APPRECIATED ASSETS

Share giving is now one of the most tax-effective ways to give. When you give an asset to St Peter's, you are treated as making no gain or loss for Capital Gains Tax purposes, so you won't have to pay any Capital Gains Tax.

In addition, you are entitled to claim through your annual tax return full tax relief equal to the market value of the shares and any associated costs (such as brokers' fees). If you sold shares to raise cash for a donation, you would have to pay Capital Gains Tax on any increase in the market value of those shares.

This extends to other assets such as unquoted shares, property and works of art.

Example:

A donor gives St Peter's a gift of 2,000 shares in a company, which he bought for £6,000 and now have a market value of £10,000. The broker's fee, paid by the donor to arrange the transfer is £50. The tax deduction is calculated as follows:

Original cost of shares - £6,000
Current market value of shares - £10,000
Broker's fee - £50
Deduction against income - £10,050



If the donor is paying income tax at the higher rate of 40%, their income tax bill will be reduced by £4,020. This effectively means that the donation of £10,000 will cost the donor just £5,980 after tax relief.

The donor will also save the Capital Gains Tax that should have been paid on the increase in the value of the shares (from £6,000 to £10,000), which is £4,000. The current rate of Capital Gains Tax for individuals who pay above the basic rate of tax is 20%. So, if the donor had sold the shares, there could have been a CGT liability of £800.

