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SPOTLIGHT ON:

Giving to charity: Tax reliefs you can use

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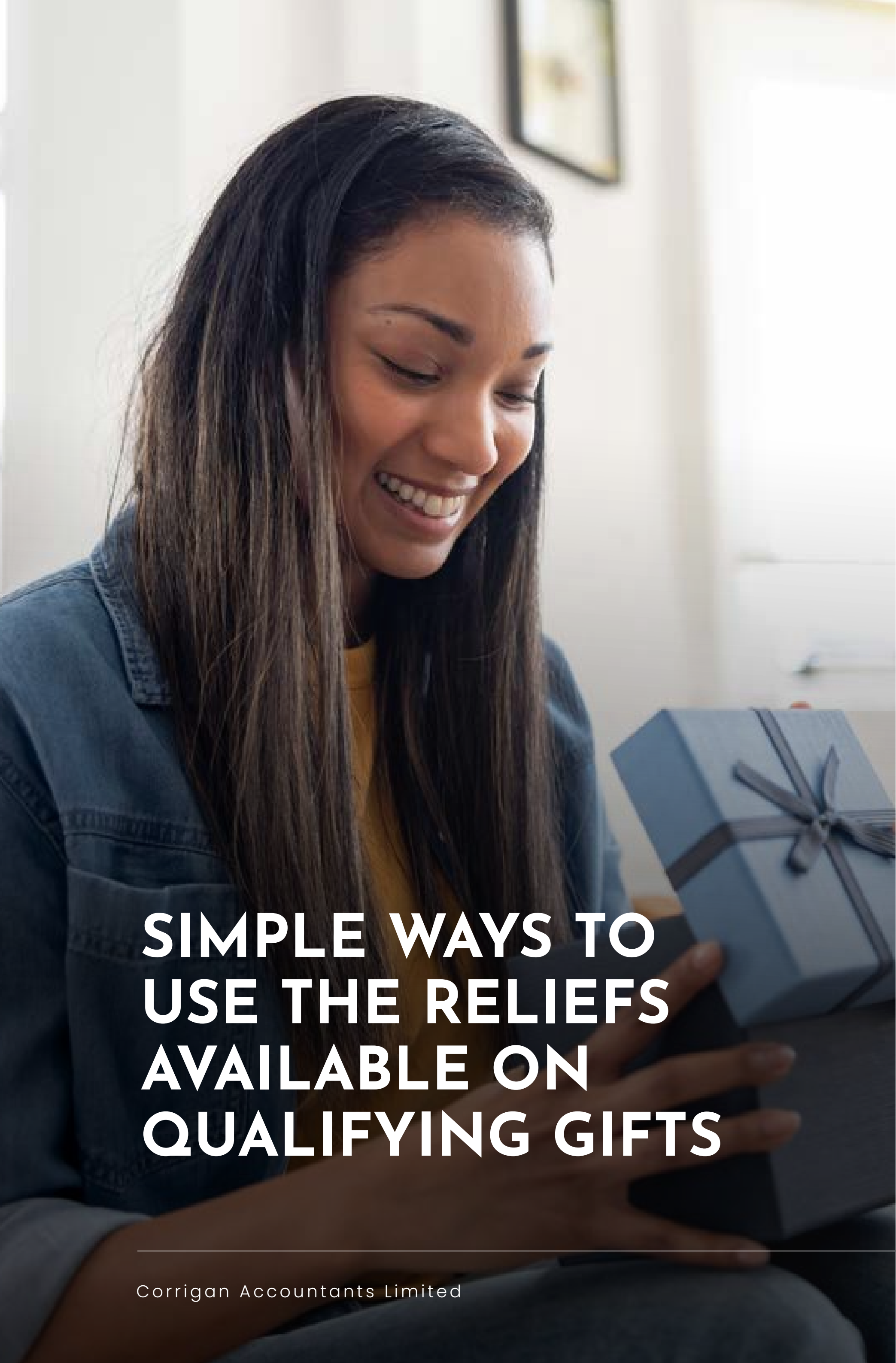

SIMPLE WAYS TO USE THE RELIEFS AVAILABLE ON QUALIFYING GIFTS

Giving to charity is often driven by values rather than tax planning, but the tax treatment still matters. Used properly, the available reliefs can make a donation go further, lower your tax bill, or both. HMRC's latest charity tax relief statistics show that tax reliefs for charities and donors were worth about £6.7 billion in the year to April 2025, including £1.7 billion of Gift Aid paid to charities.

For individuals, the main UK reliefs sit in four areas: Gift Aid, Payroll Giving, gifts of shares or property, and gifts left in a will. Each works differently. In some cases, the charity gets the tax benefit. In others, you claim it yourself. The right route depends on what you are giving, how often you give, and your tax position in the 2026/27 tax year.

START WITH GIFT AID

For most people, Gift Aid is the first thing to check. If you make a qualifying donation under Gift Aid, the charity can claim an extra 25p for every £1 you give, at no extra cost to you. To use it, you need to make a Gift Aid declaration to the charity, and that declaration can cover current and future donations as well as donations made in the previous four years.

Gift Aid is simple, but it is not automatic. You should only sign a declaration if you have paid enough UK income tax or capital gains tax to cover the amount the charity will reclaim. HMRC says your Gift Aid donations in a tax year must not be more than four times the tax you have paid in that year. If a charity reclaims more tax than you have paid, HMRC can ask you to pay the difference.

That point catches people out, especially retirees, students, and anyone whose income is low but who still wants to tick the Gift Aid box. Dividend income and savings income can also create misunderstandings if little or no tax is actually due because they may be covered by the dividend/savings allowance. Before using Gift Aid, it is worth checking whether you have paid enough qualifying tax in the year of the donation.

It is also worth knowing what does not qualify. Gift Aid is not available where the payment is really for goods or services, where the donor gets a benefit above the permitted limits, or where the donation is made through Payroll Giving. Shares are also outside Gift Aid because they have their own relief rules.

WHEN HIGHER AND ADDITIONAL RATE TAXPAYERS CAN CLAIM MORE

Gift Aid does not stop with the charity's 25p uplift. If you pay tax above the basic rate, you may be able to claim extra relief yourself. HMRC says you can claim back the difference between the tax you paid on the donation and the tax reclaimed by the charity, either through your Self Assessment tax return or by asking HMRC to amend your tax code. HMRC also says the same route applies if you live in Scotland.

The standard example is straightforward. If you donate £100 under Gift Aid, the charity treats that as a gross donation of £125 after basic-rate tax relief. HMRC's example says a 40% taxpayer can then claim back £25. HMRC's 2026 charitable giving helpsheet adds that a 45% taxpayer can claim back £31.25 on the same grossed-up donation.

This is where many donors leave money on the table. They tick the Gift Aid box, assume the tax work is done, and do not make their own claim. If you already complete a tax return, it is worth reviewing your Gift Aid payments before filing. If you do not complete a return, HMRC says you can still claim by contacting them and asking for your tax code to be amended.

There is also a timing point that can help. HMRC allows Gift Aid donations made in the current tax year to be treated as if they were made in the previous tax year, provided you claim through your tax return by the filing deadline and the donations qualify. That can be useful if you want relief sooner, or if you paid higher-rate tax in the previous year but not in the current one.

GIFT AID AND ADJUSTED NET INCOME

Gift Aid can also matter for people whose income is close to key tax thresholds. HMRC's adjusted net income guidance says that if you made a Gift Aid donation, you deduct the grossed-up amount, what you paid plus the basic-rate tax, from your net income. In practice, every £1 donated under Gift Aid reduces adjusted net income by £1.25. HMRC uses adjusted net income when working out both the Personal Allowance and the High Income Child Benefit Charge.

That can make a difference if your income is near the point where your Personal Allowance starts to fall away. For the 2026/27 tax year, the standard Personal Allowance is £12,570 and the income limit for that allowance is £100,000. The allowance falls by £1 for every £2 of income above that level. A Gift Aid payment can therefore do more than support a charity, it can also reduce the income figure used in that calculation.

A simple example shows why this matters. If your adjusted net income sits between £100,000 and £125,140, every £1 above £100,000 reduces your Personal Allowance by 50p. For taxpayers in England, Wales and Northern Ireland, that creates an effective 60% marginal income tax rate in this band, so bringing adjusted net income down can be especially valuable. If you donate £800 under Gift Aid, the grossed-up amount is £1,000. That means your adjusted net income falls by £1,000, not £800. If that £1,000 sits in the Personal Allowance taper band, the donation may help restore some Personal Allowance as well as giving the usual higher-rate Gift Aid relief.

For some people, the same issue comes up with Child Benefit. HMRC's own example shows Gift Aid reducing adjusted net income for High Income Child Benefit Charge purposes. The exact saving depends on your income and household position, but the point is simple, Gift Aid can affect more than just your donation receipt.

PAYROLL GIVING CAN BE BETTER FOR REGULAR DONORS

If your employer or pension provider runs a Payroll Giving scheme, this can be a clean way to make regular donations. Under Payroll Giving, the donation is taken from your wages or occupational pension before Income Tax is deducted. You still pay National Insurance on the amount donated, but you do not pay Income Tax on it.

The saving depends on your tax rate. For most UK taxpayers, donating £1 through Payroll Giving costs 80p for a basic-rate taxpayer, 60p for a higher-rate taxpayer and 55p for an additional-rate taxpayer. In Scotland, the figures are different because the Scottish Income Tax bands are different. For 2026/27, a £1 donation would cost 81p for a starter-rate

taxpayer, 80p for a basic-rate taxpayer, 79p for an intermediate-rate taxpayer, 58p for a higher-rate taxpayer, 55p for an advanced-rate taxpayer and 52p for a top-rate taxpayer. That means Scottish taxpayers in the 45% advanced-rate band should also be flagged here, because they get relief worth 45p on every £1 donated through Payroll Giving.

That makes Payroll Giving particularly useful for people who give monthly and want the tax relief applied immediately, rather than claiming later. It also reduces paperwork because the relief is given through payroll rather than after the event. HMRC's 2026 charitable giving helpsheet says that if you use Payroll Giving, you do not enter those donations separately on your tax return, because the pay figure on your P60 or P45 already reflects the deduction.

There are limits to bear in mind. Payroll Giving depends on your employer or pension provider offering a scheme, and you cannot use it to donate to a community amateur sports club. It is therefore a useful option, but not a universal one.

GIVING SHARES, LAND OR PROPERTY

Cash donations get most of the attention, but gifts of shares, land, buildings or property can be much more tax-efficient in the right circumstances. If you donate land, property or shares to charity, including selling them for less than market value, you can get relief from both income tax and capital gains tax.

The capital gains tax point is often the most valuable part. If you donate qualifying shares or property directly to charity, you do not have to pay capital gains tax on the gift. That can be more efficient than selling the asset yourself, paying tax on the gain, and then donating cash from what is left.

There can also be income tax relief. You can reduce your taxable income by the value of the donation in the tax year when you make the gift or sale to charity. HMRC's 2026 charitable giving helpsheet says that for shares and securities the relief is usually based on market value at the time of the gift, plus incidental costs such as brokers' fees or stamp duty, less any benefits or consideration you receive. Similar rules apply to gifts of land and buildings, with legal fees included as an example of incidental costs.

These reliefs are more technical than Gift Aid, so records matter. HMRC says you should keep the documents relating to the transfer and, for land, the charity's certificate confirming the interest accepted. If a charity asks you to sell land or shares on its behalf, you can still claim relief, but you need to keep records of both the gift and the charity's request.

One point often missed is that Income Tax relief on gifts of land, property or shares is not available for donations to community amateur sports clubs. That restriction only applies to this type of relief, not to ordinary Gift Aid on cash donations.

LEAVING GIFTS TO CHARITY IN YOUR WILL

Charitable giving can also form part of estate planning. A gift to charity in your will is deducted from the value of your estate before inheritance tax is calculated. That means the gift itself is exempt from inheritance tax.

There can be an extra tax benefit if charitable legacies are large enough. If 10% or more of your net estate is left to charity, the Inheritance Tax rate may be reduced. HMRC's calculator and Inheritance Tax guidance put the reduced rate at 36%, compared with the normal 40% rate.

For the 2026/27 tax year, the nil-rate band remains £325,000 and the residence nil-rate band remains £175,000, with the residence nil-rate band taper starting at £2 million. HMRC's latest guidance says these thresholds stay fixed until 5 April 2031. The same guidance says qualifying estates can continue to pass on up to £500,000, and a surviving spouse or civil partner can, in some cases, pass on up to £1 million where unused bands are transferred.

This part of the tax system is more specialised than Gift Aid, but it is worth reviewing if charitable giving is already part of your plans. For some estates, the 10% rule changes the net amount received by both family and charity less than people expect, because the reduced Inheritance Tax rate offsets part of the gift. HMRC provides a calculator specifically for this purpose.

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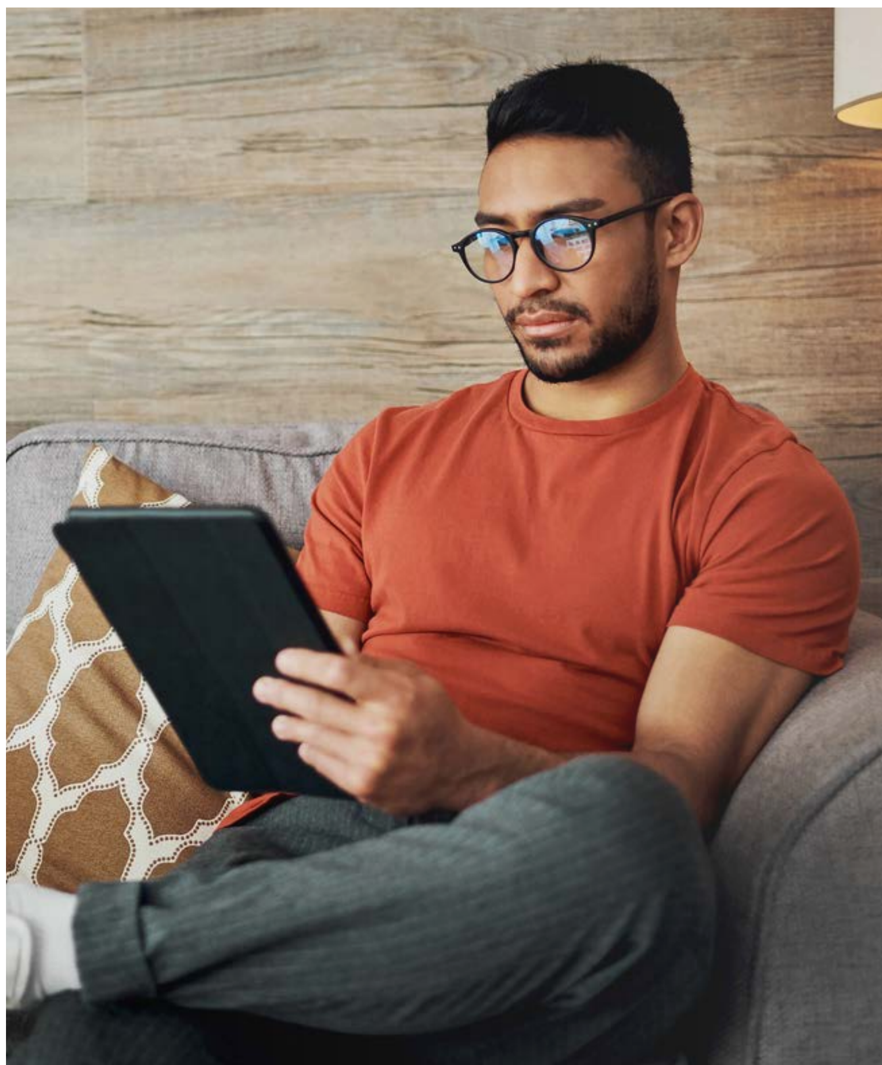


A FEW COMMON MISTAKES

The first common mistake is assuming that ticking the Gift Aid box is the end of the process. It is not; if you pay tax above the basic rate, you may still need to make your own claim.

The second is using Gift Aid when you have not paid enough qualifying tax in the year. HMRC can recover the shortfall from you, so it is worth checking before you sign the declaration.

The third is overlooking non-cash options. If you hold investments or property that have risen in value, donating the asset directly can sometimes be more tax-efficient than selling it and donating cash, because the direct gift can attract both income tax relief and capital gains tax relief.

The fourth is claiming relief for a body that does not qualify. Since the rules changed, UK charitable tax reliefs are restricted to qualifying UK charities and UK community amateur sports clubs (CASCs). From April 2024, non-UK charities and CASCs no longer qualify for UK charitable tax reliefs under these rules.

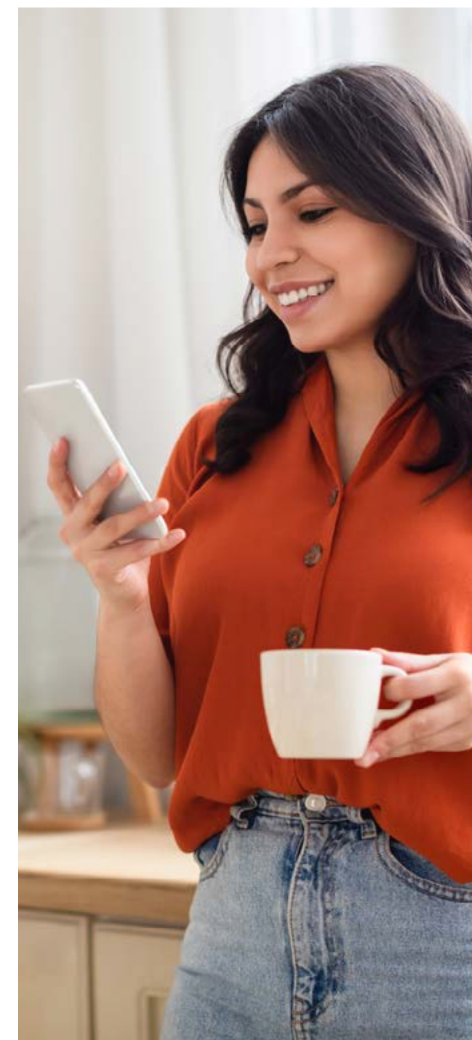
CHOOSING THE RIGHT ROUTE

For a one-off cash donation, Gift Aid is usually the obvious starting point. For regular giving from earnings or an occupational pension, Payroll Giving may be more efficient because the tax relief is given straight away. For someone with shares or property standing at a gain, a direct gift can be worth exploring. For longer-term estate planning, a charitable legacy in a will may reduce the taxable estate and, in some cases, cut the Inheritance Tax rate as well.

The main message is that charitable tax relief is broader than many people think. Gift Aid is only one part of it. The most useful route depends on whether you are giving cash, income, investments or part of an estate, and whether you want the benefit to go mainly to the charity, to you, or to both.

Before the end of a tax year, it is worth reviewing your donations, checking whether all Gift Aid claims are valid, and deciding whether any higher-rate relief has been missed. If you are considering larger gifts of shares, property or part of your estate, the rules are detailed enough to justify getting advice before you act.

**Want tailored advice?
We're ready to help.**



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