

How is CAF Give As You Earn tax-effective?

Unlike other ways of donating to charity [CAF Give As You Earn](#) is tax-effective for you. Donations made to charity through CAF Give As You Earn are taken from your pay or company/personal pension **after your National Insurance contributions are removed but before Income Tax is calculated and deducted.**

This means:

- Your tax is calculated on a lower amount; this could change your tax bracket and lower the amount of tax you pay
- You get tax relief on your donation immediately, at your highest rate of tax, and you can pass this benefit onto charity

How is it calculated?

If you are a 20% taxpayer, 80% of your donation amount will be taken from your salary and 20% will be taken from the tax which would have gone to HMRC.

A **£20 donation** will cost you **£16** - but the charity will still receive £20 because the £4 which would have otherwise gone to the tax man goes to the charity.

For example, if you are a **20% taxpayer**, earning £20,000 annually (gross) who opts to donate £20 a month to charity, this is the impact it would have on your monthly salary and tax:

	With no donation to charity	With a donation to charity	Explanation
Gross monthly salary	£1,666.67	£1,666.67	
Donation to charity	£0	£20	£16 taken from gross salary; £4 from tax
Total taxable salary	£880.67	£860	Gross salary minus £20, minus personal tax allowance of £786.67
Tax due	£176	£172	20% of total taxable salary (reduces by £4)
National insurance due	£122.52	£122.52	Remains the same
Net salary	£1,368.15	£1,352.15	Reduces by 80% of donation (£16)

Please note: these calculations are made at 2013/14 tax and National Insurance contribution rates and based on standard assumptions on tax breakdown. There are many other possible variables which have not been considered here.

If you're a **40% taxpayer**, 60% of your donation will be taken from your salary and 40% will be deducted from the tax which would have gone to HMRC.

How is payroll giving different to Gift Aid?

When you make a direct donation to charity, you're often given the option to tick a box that allows the charity to apply for [Gift Aid](#) on your donation. This means that - if you're are a UK taxpayer - the charity can claim back 25% tax on your donation from the Government (regardless of the rate of tax you pay).

For example, if you're a lower rate taxpayer and donate £20 directly to charity, it costs you £20 and the charity receives £25 - once they've claimed the Gift Aid back. While the amount going to charity is higher, the charity carries the cost and hassle of claiming back the tax.

With payroll giving your donation not only costs you less, you receive a tax benefit and the charity automatically receives the donation - avoiding the added administrative burden of collecting Gift Aid.

Increase your donations through payroll giving

You also have the option of increasing your donation because it's costing you less.

For example, if you're willing to gift £20, you can increase your donation to £25. It will only cost you £20, and the charity receives £25 (as it would with a direct Gift Aid donation) - but without the administrative cost of claiming Gift Aid.

For higher tax payers, payroll giving is the only way to pass on your higher percentage of tax to the charity of your choice, as Gift Aid is set at 25%.

Fees

A 4% administration fee will be deducted from your donation unless your employer pays the fee on your behalf. Please contact your employer to confirm that they'll pay your administration fee.