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FACTOR

Charity⁺

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ACCOUNTANTS

Gift Aid payments by subsidiaries to parent charities

A number of charities have trading subsidiaries which make gift aid payments to their charity parent companies.

Financial Reporting Standard No 21 deals with recognising and measuring events which occur after the year end, including those that provide evidence of conditions that existed at the balance sheet dates. SORP 2005 considers the application of this accounting standard by trading subsidiaries which make gift aid payments to charities as follows:

Those charities whose subsidiaries make gift aid payments after the year end should ensure that they can demonstrate that the subsidiary had a legal or constructive liability at the balance sheet to make a gift aid payment to the charity. The simplest way to achieve this is to ensure that the intention to make a gift aid payment to the charity is communicated to the charity **before** the year end with the amount to be quantified once the trading subsidiary's results for the year are known.

It is also important to note that in order to qualify for a corporation tax deduction in respect of a financial year, the gift aid payment must be made in full, as a payment of money from the subsidiary to the charity, no later than 9 months after the year end.

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