[Check the tax rules on waiving your income or donating to charity]

During the COVID-19 pandemic, many people are choosing to give up part of their income to support their business or employers, or donate to charity.

HMRC is keen to support people who choose to waive – or give up – part of their income, particularly when it comes to understanding any tax implications.

Employers, directors and employees have several options to support a business or employer, including:

- waiving their salary or bonuses before they're paid
- waiving the right to any dividends
- giving salary or dividends back to their employer after they've been paid

To donate to charity, people can use:

Supporting a business or an employer

Waiving salary or bonuses before they are paid

A 'waiver of remuneration' happens when an employee gives up rights to remuneration and gets nothing in return.

If an employee and employer agree to a reduction in the employee's remuneration before they are paid, for example to support company cashflow during the pandemic, then no Income Tax or National Insurance contributions (NICs) will be due on the amount given up.

This is provided the agreement is not part of any wider arrangement to divert the amount to a particular recipient or a cause. For example, if it was waived on condition that the sum would be donated to a particular charity, this would still be liable to tax.

Waiving dividends

Directors or other shareholders, including employees, are able to waive their right to be paid a dividend.

For this to be effective, a Deed of Waiver must be formally executed, dated and signed by shareholders and witnessed and returned to the company.

The waiver must be in place before the right to receive a dividend arises. For final dividends, this is before they are formally declared and approved by the shareholders. For interim dividends, the waiver must be in place before the dividends are paid.

Giving salary or bonuses back to your business or employer after they have been paid

It is possible to give back salary or bonuses to a business or employer after they have been paid.

However, it is not possible to claim back the Income Tax and NICs that would already have been deducted from the salary or bonuses on payment.

Bonuses must be waived before the date they are due to be paid. If they are waived on or after the due date then tax will still be payable on them, even if the bonus is not paid over.

Donating to charity

Payroll Giving

Payroll Giving is a way of giving money to charity without paying tax on it. It must be paid through PAYE from someone's wages or pension.

If you're an employee, you should select a registered charity to donate to, and let your employer's payroll department know.

Employers should contact a Payroll Giving agency to set up a scheme. The donation will be taken from employees' pay before Income Tax but after National Insurance. Any registered charity in the UK or the EU recognised by HMRC for tax purposes can receive donations through Payroll Giving.

Gift Aid

Donating through Gift Aid means charities and community amateur sports clubs can claim an extra 25p for every £1 donated.

This means that if you make a donation to an eligible charity, the charity can claim back from HMRC the basic rate tax you would have paid on the amount. This is a way of giving to charity tax efficiently even after you have been paid.

Further help

HMRC has a dedicated helpline available to support any of our customers affected by coronavirus (COVID-19).