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HM Revenue & Customs

Guidance

Chapter 4: Payroll Giving

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Contents

Chapter 4.1: Introduction

Chapter 4.2: Payroll Giving Agencies

Chapter 4.3: Employers

Chapter 4.4: Employees

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This publication is available at https://www.gov.uk/government/publications/charities-detailed-guidance-notes/chapter-4-payroll-giving

Chapter 4.1: Introduction

4.1.1 Payroll Giving provides tax relief at source for individuals who give to charity by direct deduction from their pay. Pensioners can also use Payroll Giving to give to charity by direct deduction from their occupational pension. For simplicity, this guidance uses the terms ‘employees’, ‘employers’ and ‘pay’.

4.1.2 Any employee whose employer deducts Income Tax under normal Pay As You Earn (PAYE) rules and who has contracted with a Payroll Giving Agency (Agency) can give to charity direct from their salary.

4.1.3 Once an employee has signed up to the scheme the employer deducts the authorised amount from the employee’s pay before deducting tax under PAYE and sends the payment to the agency charity. National Insurance contributions are still calculated on the employee’s gross amount of pay before Payroll Giving donations are deducted.

There is no limit on the amounts that an employee can give from their pay.

4.1.4 The Agency distributes the employee’s donations to charities in accordance with their instructions and must do so within 60 days of the receipt of the funds from the employer.

4.1.5 Payroll Giving donations received are exempt from tax in the charity’s hands as long as the donations are used for charitable purposes. If the donations are used for non-charitable purposes they lose their tax exemption.

Chapter 4.2: Payroll Giving Agencies

4.2.1 A Payroll Giving Agency is a charity approved by HMRC for the purpose of acting as an agency under the Charitable Deductions (Approved Schemes) Regulations SI 1986/2211 (as amended). HMRC Charities deals with applications for approval as an Agency.

There are details of approved Payroll Giving Agencies (https://www.gov.uk/government/publications/payroll-giving-approved-agencies) on the HMRC website.

Time limits for distributing Payroll Giving donations

4.2.2 The Agency and an employer must sign a contract that complies with the regulations. Agencies should distribute all donated monies from

employees to their nominated charities within 60 days of receipt from an employer.

4.2.3 The Agency is responsible for ensuring that the donations received are only distributed to organisations that are charities. If the Agency cannot be certain that a nominated organisation is a charity it can ask HMRC Charities for confirmation.

4.2.4 The Agency must pay donations to charities within 35 days of receipt if, on the day on which the donation is received, the Agency:

- knows the identity of the employee making the donation
- knows the identity of the charity to which the donation is made
- has paid the nominated charity at any time in the last 12 months

In all other cases, the Agency must pay donations to charities within 60 days.

4.2.5 If an Agency does not make a payment within 35 days of receipt it must report details of the payment to HMRC within 7 days of expiry of the 35 day time limit. If an Agency does not make the payment within 60 days of receipt then it must make a further report to HMRC.

4.2.6 The report to HMRC about a failure to pay a donation to a charity must contain the:

- name of the Payroll Giving Agent
- name of employer
- name of the donating employee
- date that the donation was due to be paid to the charity
- amount of the donation that has not been paid
- date that the payment has been or will be made

The report must be sent to HMRC Charities (https://www.gov.uk/government/organisations/hm-revenue-customs/contact/charities-and-community-amateur-sports-clubs-cascs).

Tax relief on Payroll Giving donation

4.2.7 The tax relief on Payroll Giving donations is given to the donor employee at source. This means that because no tax has been deducted from an employee’s donation there’s no tax repayment that can be claimed from HMRC by the Agency or the charities receiving the donations.

Chapter 4.3: Employers

When to set up a scheme

4.3.1 There’s no obligation on an employer to set up a Payroll Giving Scheme for their employees but employers are encouraged to do so.

How to set up a scheme

4.3.2 An employer must contact an approved Agency which will provide the employer with a contract setting out the details of the scheme, along with all the necessary forms to operate the scheme.

The procedure after a scheme is set up

4.3.3 The employer needs to:

- tell their employees that they’ve set up a Payroll Giving Scheme and they can make donations to charities of their choice through the scheme
- provide employees with forms provided by the Agency, that they can use to authorise the employer to deduct their charitable donations from their pay and tell the Agency which charity they want to donate to
- send the completed forms to the Agency, unless the employee has sent the form direct to the Agency, the employer has no right to know which charities it’s employees want to give to
- deduct the charitable payments before PAYE is applied but after National Insurance contributions are calculated, this gives each employee Income Tax relief at the correct rate
- send the total charitable deductions to the Agency each month at the same time as the PAYE remittance is sent to the HMRC Accounts Office, the Agency will issue a receipt

4.3.4 The Agency can offer a number of options:

1. Personal option; where an employee simply agrees to give specified amounts to named charities out of their pay each week or month
2. Personal account; where an employee is provided with a charity card or vouchers similar to a cheque book. The employee can then use the card or vouchers to make gifts to any charity of their choice when they want to.
3. Group option: where a group of employees pool their donations, which are then distributed to a specified charity or group of charities 4, Employer's shared giving scheme: where employees' donations are pooled and a committee of employees decides which charities their gifts should be given to.

Records an employer should keep

4.3.5 The employer should keep the following records:

- a copy of the employer's contract with the Agency
- a copy of the employees' authorities to make deductions
- details of payments made by each employee
- receipts from the Agency

Employer's costs

4.3.6 There may be some additional cost for the employer in running the scheme but these are likely to be absorbed in the existing payroll costs. Any additional costs are allowable as an expenses deduction when calculating the employer's profits for tax purposes.

Other costs

4.3.7 Most Agencies make a small charge to cover their administration expenses. Their charge is usually deducted from the employees' donations before they're passed on to charities. An Agency's charges should be included in the contract with an employer. If the employer decides to pay the Agency's cost then this is also allowable as a deductible expense against the employers profit.

Some Agencies do not charge for administration because they're funded by fundraising organisations that help employers to promote payroll giving in the workplace. They may charge the charities that they recruit new donors for instead.

Chapter 4.4: Employees

Employers obligation to provide a Payroll Giving Scheme for their employees

4.4.1 There's no statutory obligation on an employer to provide a Payroll Giving Scheme for their employees.

How an employee joins a Payroll Giving Scheme

4.4.2 An employee joins a scheme by asking their employer for an application form. This should be filled in and given back to the employer or sent directly to the agency charity, depending on the particular arrangements of the scheme.

How an employee gets tax relief

4.4.3 The donation to charity is deducted from pay before it is taxed under PAYE. So the employee gets relief at their highest rate of tax. But the gift does not reduce their National Insurance contributions.

Which charities employees can support

4.4.4 Donations can be given to any charitable organisation accepted as a charity for tax purposes by HMRC. Donations can be given to more than one charity (most Agencies will allow an employee to nominate up to 6 charities) or to a consortium made up of a number of different charities.

How employees leave the scheme

4.4.5 An employee can leave the scheme at any time by giving their employer reasonable notice to stop their Payroll Giving deductions or by giving notice to the Agency.

Employees wanting to claim a refund of their donations

4.4.6 Once a payment has been deducted from earnings and tax relief given the donation can only go to the Agency for forwarding to the nominated charity or charities. The Payroll Giving legislation does not allow, under any circumstances, a refund of an employee’s Payroll Giving donations.

Telling your employer which charity receives the donation

4.4.7 Employee’s do not have to tell their employer which charity they want to give to. An employee’s instructions can be sent direct to the Agency. An important benefit of the Payroll Giving Scheme is that the charities that an employee gives to can be confidential.

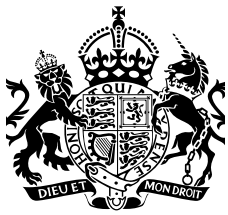
Agencies responsibility for telling the charity who each donor is

4.4.8 The Agency should not provide the charity with any information about a donor (name, address or employer) without the agreement of the donor.

Charity giving benefits to an employee in return for donations

4.4.9 If a charity provides benefits (for example, free admission to properties or free or discounted tickets to events) in return for donations, the employee's donations will not qualify for relief under Payroll Giving. However, items of low value, for example newsletters, stickers or badges, would still allow an employee's donations to qualify for relief under the scheme.







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