



Introduction to gift aid

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Agenda

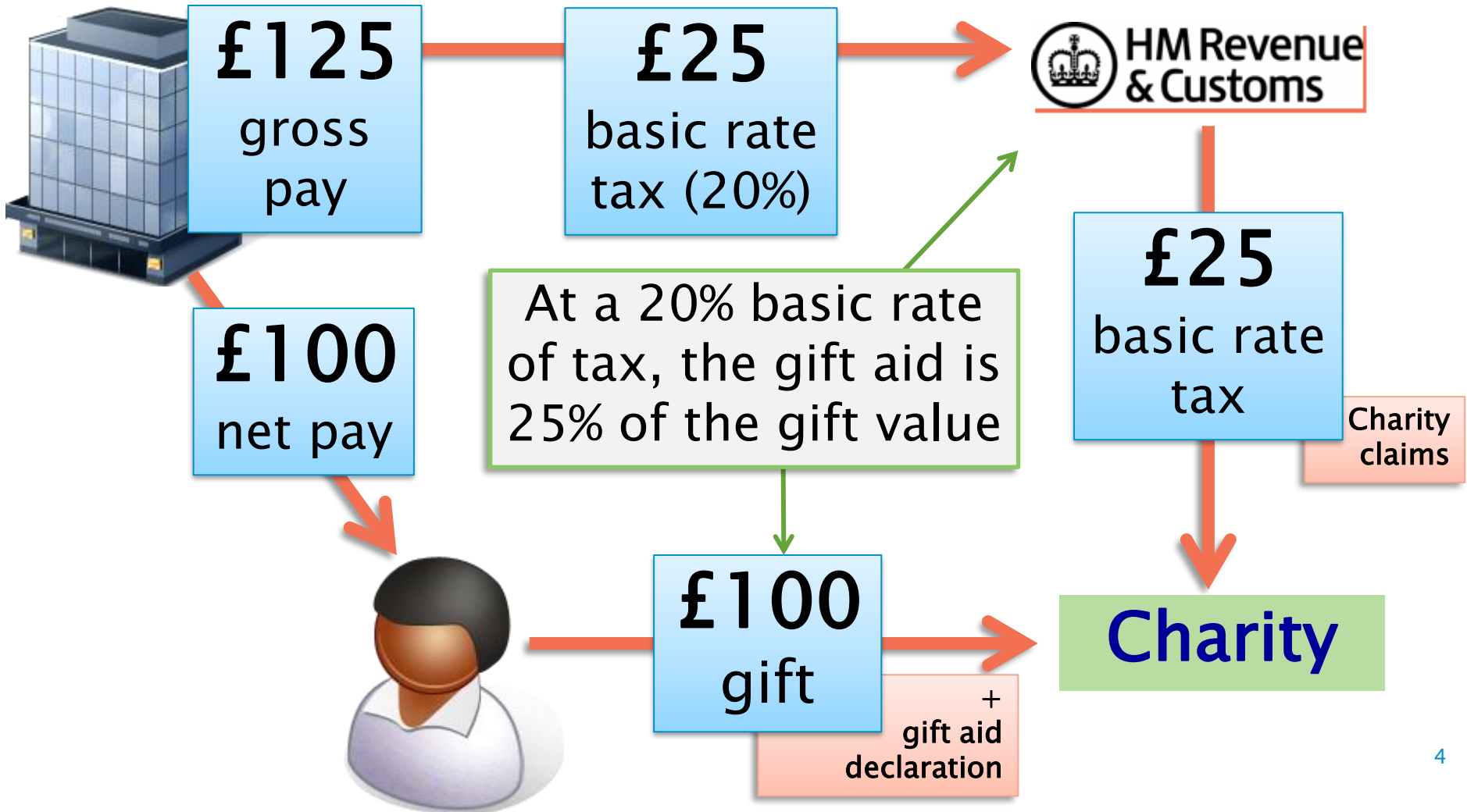
1. What is gift aid?
2. Who can claim?
3. How to claim
4. Special types of gift aid donation
5. The Gift Aid Small Donations Scheme (GASDS)
6. Is it worth the effort?
7. Top tips and common mistakes
8. Next steps



What is Gift Aid?

- Gift Aid is a tax relief for monetary donations made by **UK taxpayers** to eligible charities
- The purpose is to encourage individuals to make donations to charity
- For Gift Aid purposes, charities include Community Amateur Sports Clubs (CASCs)
- Charities can claim from HMRC the basic rate Income Tax paid by the donor on the donation
- Higher and additional rate taxpayers can claim Income Tax relief
- Important source of income for many UK charities (£1.4bn gift aid paid by HMRC in 19/20)

Individual gift aid – how it works





Higher rate relief

- Income Tax relief for higher or additional rate taxpayers
- To benefit, must be claimed by the donor themselves – e.g. through a tax return
 - Charity is not involved directly, but can remind donors it is available
- Reduces the donors overall income tax bill – reducing the net cost of the donation



Individual gift aid conditions

1. Must be a monetary donation
2. Must be made by a person who has paid sufficient UK Income Tax or Capital Gains Tax (the 'tax to cover' requirement)
3. Must be no or minor benefits provided in return for the donation
4. The donor must give the charity a gift aid declaration in respect of the donation
5. The donation must not be repayable



Eligible monetary donations

Yes	No
Donations from UK Income Tax payers:	× In-kind donations
✓ Cash	× <i>Donations of goods</i> **
✓ Cheques (when cleared)	× Sales of goods or services
✓ Direct debit/standing order	× Raffle or lottery tickets
✓ Credit/debit card	× Donations already receiving tax relief (e.g. charity vouchers or payroll giving)
✓ Paypal, Apple Pay etc.	× Grants and donations from companies, public bodies and charities
✓ Any currency	

***Charity shops Gift Aid discussed later*



Waived refunds

- If a charity cancels an event, HMRC will normally insist the charity must repay the purchaser, with the purchaser then donating the repayment to the charity under gift aid, in order for it to be eligible for gift aid
- During the COVID pandemic, HMRC has accepted no need for the purchaser to be refunded
- But the charity must retain evidence the purchaser agreed to waive the refund and to gift aid
- The purchaser must provide a gift aid declaration
- HMRC understood to be about to accept this generally, not just as a temporary COVID concession



The tax to cover requirement

- In each tax year (6 April – 5 April next)
- The donor must pay
- At least as much UK Income Tax plus Capital Gains Tax
- As all of the gift aid
- Claimed by **all charities and CASCs**
- To whom the donor has made gift aid donations
- in the tax year



Tax to cover – Example

Donor Z makes 4 donations to charities in the tax year.
They paid income tax of £2,000

Made to	Amount	Potential Gift Aid
Charity A	£1,000	£250
Charity B	£2,000	£500
Charity B	£4,000	£1,000
Charity C	£2,000	£500
Total	£9,000	£2,250

Donor Z has not paid enough income tax to allow all three charities to claim Gift Aid.

They could authorise B & C to claim, as that totals £2,000



The tax to cover requirement

- The charity must make the donor aware of the tax to cover requirement
- But the charity **isn't required to check the donor has paid or will pay sufficient tax**
- Included in the HMRC model gift aid declaration
- But if the donor doesn't pay sufficient tax, HMRC will normally pursue the donor and not the charity
- HMRC *may* ask the charity to voluntarily repay the gift aid – but this is a choice for the charity



Gift aid declarations

- For each donation the donor must make a declaration that it is made under gift aid
- Two ways of making a declaration:
 - **Written** (by hand): paper, web form, email or text
 - **Oral** (by mouth): face to face, telephone, Skype etc.
- Three types of gift aid declaration:
 - **One off** – covers a single donation
 - **Enduring** – covers multiple donations, e.g. all donations made in the last 4 years and all current and future donations
 - **Sponsored events** – special declaration form for sponsored events



Written gift aid declaration

Must include:

- Name of charity (+ ideally the charity registration number if registered)
- Donor name, home address & postcode
- Identifies gifts to be gift aided (e.g. ‘the enclosed gift and all future gifts’)
- Request to treat as gift aid (e.g. ‘please gift aid’)
- Date, if an enduring declaration
- Tax to cover statement



HMRC model enduring declaration

<Name of charity>

Boost your donation by 25p of gift aid for every £1 you donate

Gift aid is reclaimed by the charity from the tax you pay for the current tax year. Your address is needed to identify you as a current UK taxpayer. In order to gift aid your donation you must tick the box below.

I want to gift aid my donation of £ <amount> and any donations I make in the future or have made in the past 4 years to <name of charity>

I am a UK taxpayer and understand that if I pay less Income Tax and/or Capital Gains Tax than the amount of gift aid claimed on all my donations in that tax year it is my responsibility to pay any difference.

My details: <Title, First name, Surname, Full home address, Postcode>

Date: <Date>



HMRC model enduring declaration

Optional wording:

Please notify the charity if you:

- want to cancel this declaration
- change your name or home address
- no longer pay sufficient tax on your income and/or capital gains.

If you pay income tax at the higher or additional rate and want to receive the additional tax relief due to you, you must include all your gift aid donations on your self-assessment tax return or ask HM Revenue and Customs to adjust your tax code.



Oral declaration

- Can ask donor if they wish to gift aid their donation
- Must explain the basic requirements of the scheme
 - What Gift Aid is
 - That sufficient tax paid by taxpayer
 - Collect all the information required for a written declaration (name, home address etc.)
- Must also write to donor to confirm
- Generally requires more record keeping/letters after the declaration is made and training to explain the scheme
- But can be less intrusive than asking donor to complete a form.



Oral declarations – conditions

- Ask donor if they wish to gift aid their donation
- Explain that gift aid allows the charity to claim back basic rate tax the donor has paid on their donation
- Explain the tax to cover requirement
- Collect all the information required for a written declaration (name, home address etc.)
- Send the donor a written record of the declaration and give 30 days to cancel
- If cancelled within 30 days, treated as never made
- Keep a record of template letters and donor/donation details, any cancellations etc.



Donor benefits

What is a donor benefit?

- Any item or service provided
- To the donor or a **person connected to the donor**
- **In consequence of making the donation**
- By the charity
- Or by a third party (unless an unconnected third party provides benefits unsolicited by either the charity or donor)

Connected persons

A person is connected to a donor if they are:

- Wife, husband, civil partner
- Brother or sister
- Parent, grandparent etc.
- Child, grandchild etc.
- Married to a connected person
- Company under control of above
- Business partners (e.g. partners in a partnership)



Gift aid donor benefit limits

Donation	Maximum benefit value
Up to £100	25% of the donation
£100 or more	£25 plus 5% of the donation amount over £100
Overall annual limit	£2,500

Example – limit for donation of £250 would be:

$$£25 + 5\% \text{ of } £150 = £32.50$$



Disregarded benefits for gift aid

These **do not** count toward the benefit limits

- Charity literature e.g. annual reports, newsletters, promotional materials (hard & electronic copies)
- Acknowledgements, e.g. lists of donors in foyer or annual report, but not adverts for a donor's business
- Right of admission to view charity property – special rules (**covered later**)
- Negligible value stickers, pins, badges etc.

If VAT registered - most of these are NOT ignored for VAT purposes



Who can claim?

- Gift aid claims can only be made by:
 - A charity or
 - A Community Amateur Sports Club (CASC)
- Must register with HMRC to make Gift Aid claims
- If a charity should be registered with a regulator (e.g. the Charity Commission), it must be registered with that regulator before it can register with HMRC
- Most English & Welsh charities must register with the Charity Commission if annual income is £5,000 or more or if incorporated as a Charitable Incorporated Organisation (CIO)



Registering with HMRC

- Register with HMRC by completing form ChA1
- Can be done online: <https://www.gov.uk/charity-recognition-hmrc>

Must provide:

- bank account details and financial accounts
- Officers' details, including dates of birth and National Insurance numbers
- registration number if registered with a charity regulator
- governing documents and charitable objects



How to claim

- When registering with HMRC online must set up a government gateway account
- When approved by HMRC, can activate the HMRC gift aid online service in the account
- The gift aid online service can then be used to make gift aid claims
- Four ways to claim:
 1. Spreadsheet claims
 2. Direct software claims
 3. Paper claims
 4. Third party agents (JustGiving, Virgin Giving etc)



Spreadsheet claims

- Download an HMRC template spreadsheet
- Fill in donor and donation details
 - Max 1,000 donations per spreadsheet
 - can aggregate up to £1,000 of donations of £20 or less onto a single line
 - For sponsored events, list donations by event participant rather than donor. However, individual donations of £500 or more must be separated out and listed by donor
- Log in to the Government Gateway account
- Follow the links for making a gift aid claim
- Upload the spreadsheet to the claim
- Submit the claim



Software and paper claims

Software claim

- Some donor management software can submit gift aid claims directly to HMRC
- Each claim can be for up to 500,000 donations and you can submit up to one claim per day

Paper claim

- Request paper claim forms from HMRC
- Each form can list up to 90 donations

Claims normally paid within 4 weeks if claimed online, 5 weeks if claimed via post



Backdated claims

- If a donor provides an enduring declaration can potentially claim for previous donations made by the donor
- Time limits depend on legal form of charity:
 - **Charitable trusts:** donations made in the current and previous four tax years (6 April – 5 April)
 - **Corporate charities:** donations made in the current and previous four financial years



Third party agents

Charity registers with third party agent, providing proof of charity status.

Agent does the following:

- Collect donations directly from donors/fundraisers
- Obtains and maintains Gift Aid declarations
- Claims Gift Aid directly from HMRC on charity's behalf
- Passes donation and any Gift Aid to charity
- Charges fee for processing and Gift Aid:
 - Monthly fee and/or % of donation value

Usual Gift Aid conditions still apply



Special types of donation

- Appeals
- Admission to property
- Sponsor a brick, seat etc.
- Sponsored events
- Retail gift aid scheme



Appeals

- An appeal is targeted at individuals who may be UK Income Tax or Capital Gains Tax payers
- Provide a blank gift aid declaration with the appeal literature and ask to complete if a UK Income or Capital Gains Tax payer
- If a donor completes the gift aid declaration, check properly completed
- Keep records of all gift aid donations and associated declarations for at least 6 years



Admission to charity property

- Special gift aid regime for admission charges to view charity property – ignores usual benefit rules
- E.g. admissions to a museum, gallery, historic house, botanical garden, wildlife sanctuary etc.
- Can gift aid admission charges if:
 - Annual ticket allowing admission for at least 12 months, or
 - Person pays at least 10% more than the normal admission charge
- Must still get Gift Aid declaration
- Admission can include family members
- But excludes gift tickets or if admission includes non-family guests



Sponsor a brick, seat etc.

- Sponsor a brick or seat type schemes popular for construction and refurbishment projects
- HMRC accept charities can gift aid donations where the charity promises to put a thank you message on the sponsored item
- E.g. ‘Sponsored by <name>’
- But not OK to allow donors to add any message they like
- E.g. ‘in loving memory of <name>’



Split payment

- Sell something to the public for a set price
- Ask purchasers to voluntarily pay more than the set price
- Can gift aid the excess as long as:
 - The benefit can be purchased separately
 - The purchaser knows the value of the benefit at the time the donation is made
 - The purchaser provides a gift aid declaration
- Same split applies for VAT
- Commonly used by arts charities for patron / supporter schemes



Sponsored events

- E.g. sponsored runs, London Marathon, challenge events
- Can gift aid most sponsorship payments
- Use HMRC model sponsorship form – doubles as a gift aid declaration
- If provide benefits for participants at less than cost (e.g. free place in event, travel or accommodation), may block gift aid on donations from persons connected to the participant
- But not on donations from unconnected persons
- May have to explain this in fundraising packs



Retail Gift Aid Scheme (RGAS)

- Special gift aid scheme for charity shops selling donated goods
- Donations of goods do not qualify for gift aid
- Under RGAS, the charity (or its trading subsidiary) sells the goods as agent of the donor
- The net proceeds (after any seller's commission) belong to the donor
- Donor can then Gift Aid the proceeds to the charity
- Complicated set of HMRC rules for operating RGAS



Small Donations Scheme (GASDS)

- Simplified gift aid type regime for small cash donations
- No need for a gift aid declaration, no need for the donor to have paid sufficient UK tax
- But charity must be registered for Gift Aid and make standard Gift Aid claims
- Claim made to HMRC, donations topped up by 25%
Donations must be of upto £30 in cash (coins or notes) or via contactless payments using a credit/debit card, mobile telephone or other electronic device



Small Donations Scheme (GASDS)

- Max claim: £8,000 of donations per tax year per charity
 - Total received – maximum of £2,000
- Cap shared for connected charities (e.g. branches)
- If a charity collects small donations in two or more community buildings (typically places of worship), can claim up to £8,000 per community building.
- GASDS claims also capped at 10 x donation value claimed successfully under gift aid in the tax year
 - E.g. if you make Gift Aid claims on donations worth £500, you can make a claim upto £5,000, and would receive upto £1,250



GASDS – community buildings rule

- If a charity collects small donations in two or more community buildings (typically places of worship)
- Can claim upto £8,000 per community building
- must carry out free access activities in each community building for at least 10 persons at least 6 times per year
- can claim for donations received in or outside the community building but within the same local authority area
- can claim under the main rule or under the community buildings rule, but not both



Is it worth the effort?

Apply a cost / benefit analysis

- Increases the value of eligible donations by 25%
- Costs of compliance:
 - **One off:** set up costs
 - **Ongoing:**
 - obtaining gift aid declarations
 - claims processing
 - record keeping
 - gift aid training for staff, volunteers or trustees



Record keeping

- Must retain gift aid declarations for all gift aid donations made in the current and previous 6 years (tax years for a charitable trust, financial years for a corporate charity)
- Manual record keeping system may be OK for small numbers of gift aid donations
- But if substantial numbers of donations likely to be advantageous to use gift aid capable donor management software
- Many software packages now available
- Third party agents can claim and will maintain records instead, but may not always be appropriate option



Donor management software

The software may be able to:

- Keep records of donor correspondence, donations, declarations, gift aid claims etc.
- Scan and store paper declarations
- Deal with oral declaration letters
- Identify incomplete or missing declarations
- Submit gift aid claims to HMRC
- Keep the records required for HMRC gift aid audits
- HMRC list of compatible software products at
- <https://www.gov.uk/government/publications/charities-online-commercial-software-suppliers/charities-online-commercial-software-suppliers>



Top tips

- Identify which donations are eligible for gift aid
- Assess if donors are likely to be UK Income Tax payers and how easy it will be to obtain and retain gift aid declarations
- Always use the latest HMRC model gift aid declarations
- Use enduring declarations if possible
- if a donor makes an enduring declaration covering donations made in the previous 4 years, check if you can claim for any previous donations made by the donor



Top tips

- Set up robust systems to record donor and donation details and gift aid declarations
- If substantial numbers of eligible donations – consider investing in gift aid capable donor management software
- Consider use of third party agents (e.g. JustGiving) for certain activities
- If possible, make an annual GASDS claim for small value cash donations (e.g. collecting tins)
- Keep upto date with the gift aid rules, the gift aid rules are updated on a regular basis



Common mistakes

- Losing declarations
- Declarations not fully completed
- Donor provides a work address
- Using old or faulty model declaration wording
- Claiming gift aid on corporate donations
- Unable to trace donations to bank statements
- Mismatch between the donor and the person who completes the declaration
- Donor benefit limits breached

Next steps

- Sayer Vincent Gift Aid Made Simple Guide
<https://www.sayervincent.co.uk/resources/made-simple-guides/>
- HMRC 'Chapter 3' Gift Aid Guide
<https://www.gov.uk/government/publications/charities-detailed-guidance-notes/chapter-3-gift-aid>
- HMRC 'Chapter 8' GASDS guide
<https://www.gov.uk/government/publications/charities-detailed-guidance-notes/chapter-8-the-gift-aid-small-donations-scheme>
- Registering with HMRC for gift aid
<https://www.gov.uk/charity-recognition-hmrc>

HMRC list of gift aid compatible software

<https://www.gov.uk/government/publications/charities-online-commercial-software-suppliers/charities-online-commercial-software-suppliers>



Questions

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