



Gift Aid

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Agenda

1. What is Gift Aid?
2. What counts as a donation?
3. Gift Aid declarations
4. Donor benefit rules
5. Special situations
6. Record keeping



Gift Aid – two types

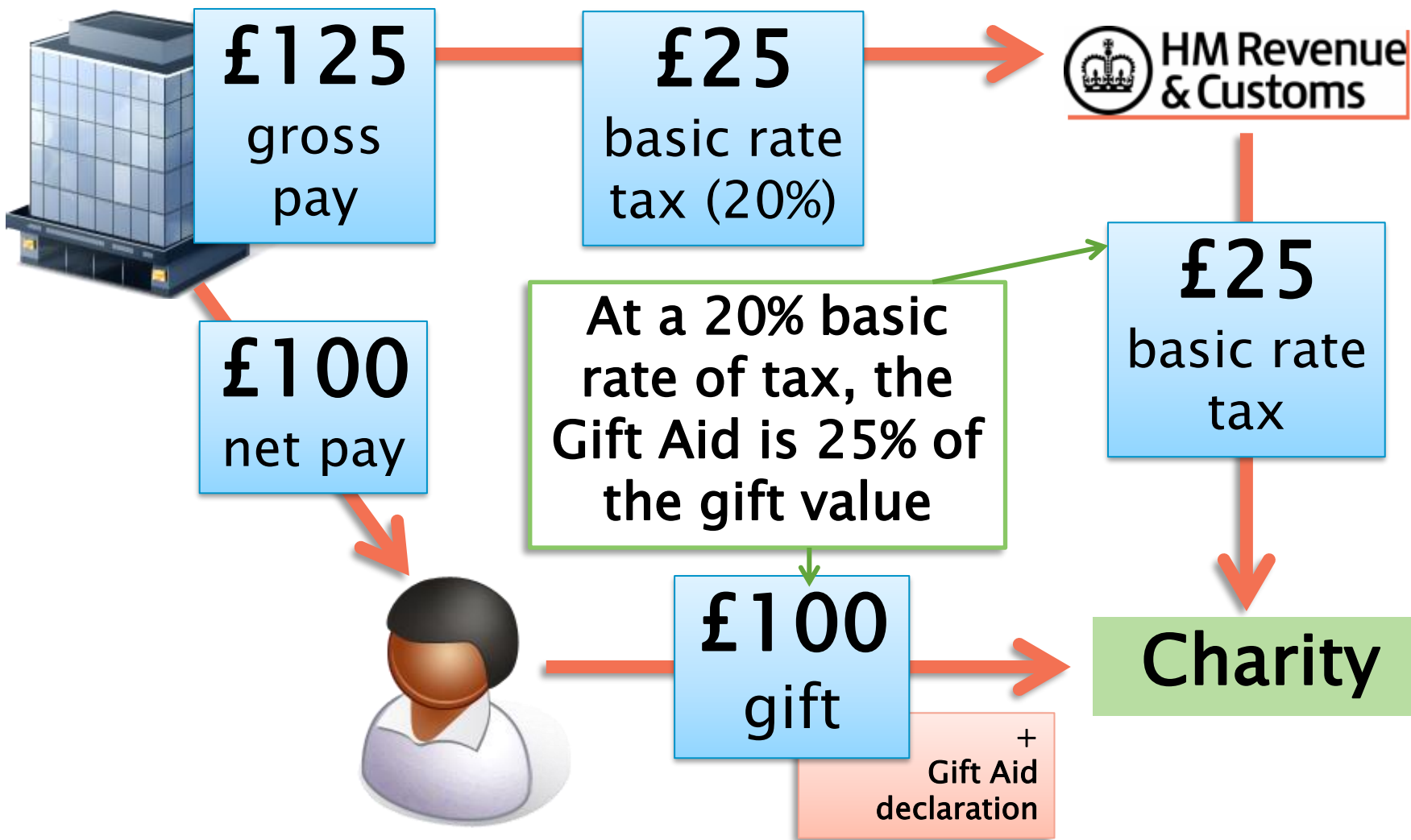
Type	Charity can recover Gift Aid?	Applies to	Examples
Corporate Gift Aid	No	UK corporation tax payers	Companies Associations Societies
Individual Gift Aid	Yes, if conditions met	UK income & capital gains tax payers	Individuals Sole traders Partnerships LLPs Private trusts



Corporate Gift Aid

1. No Gift Aid to be reclaimed by charity
2. Works purely as a tax relief for company
3. Company deducts Gift Aid from profit to reduce tax charge
4. No need for a declaration
5. But other Gift Aid conditions apply (monetary gift, donor benefit rules, anti-avoidance rules)

Individual Gift Aid – how it works





When can I claim Gift Aid?

1. Only claimable on donations
2. Gift Aid Declaration in place – donor must have paid sufficient tax
3. Any benefits provided in return for donation must not exceed limits



What counts as a donation?

Yes	No
✓ Cash	× In-kind donations
✓ Cheques (when cleared)	× Donations of goods
✓ Direct debit/standing order	× Most purchases of goods or services (e.g. jumble sale, school fees)
✓ Credit/debit card	× Raffle or lottery tickets
✓ Contactless	× Donations already receiving tax relief (e.g. charity vouchers or payroll giving)
✓ Any currency	



Written Gift Aid declaration

- Name of charity
- Donor name, home address & postcode
- Identifies gifts to be Gift Aided:
 - Current
 - Previous
 - Future (enduring)
- Request to treat as Gift Aid
- Date, if enduring declaration
- Tax to cover statement



HMRC model gift aid declaration

Applicable from 6 April 2016 for new declarations:

Boost your donation by 25p of Gift Aid for every £1 you donation. 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

I want to Gift Aid my donation of £..... to..... (Name of charity). ***I am a UK taxpayer and understand that if I pay less income tax and/or Capital Gains tax in a tax year than the amount of Gift Aid claimed on all of my donations in that tax year it is my responsibility to pay any difference.***

Title/First Name/Surname/Home Address/Postcode/Date



Recommended additional information on model

- Reminder to notify charity if:
 - Change address
 - Change name
 - Wish to cancel declaration/no longer pay sufficient tax
- Higher rate relief reminder – how to claim



Gift Aid declaration

- Enduring declarations – need to have been valid at time they were made
- Look at model wording at the time – did it agree then?
 - If so, declaration is still valid
- Verbal (oral) declarations are permitted – but additional requirements



Donor benefits

- If benefits provided, Gift Aid may be blocked
- Any item or service provided as a result of making the donation
- To the donor or a **connected person**
- By the charity
- Or a third party (unless unconnected third party provides benefits unsolicited by either charity or donor)

Connected persons

A person is connected to participant if they are:

- The participant
- Wife, husband, civil partner
- Brother or sister
- Parent, grandparent
- Child, grandchild
- Married to a connected person
- Company under control of above
- Business partners





Gift Aid benefit rules

Donation	Benefit cap from 6/4/19
Up to £100	25% of the donation
Over £100	£25 + 5% of donation over £100
Overall annual limit	£2,500

Example – donation of £250. Limit is:

$$£25 + (250 - 100) \times 0.05 = £32.50$$



Disregarded benefits for Gift Aid

- Charity literature e.g. annual reports, newsletters
- Acknowledgements, not adverts for donor's business.
Naming a building OK but not business name
- Right of admission to view charity property – special rules
- Priority booking rights – if not exchangeable for cash
- Stickers, pins, badges etc – must be of negligible value

**But note that most of these are
NOT ignored for VAT purposes**



How to value benefits

- Principal is that the benefit is valued based on the value to the **donor** – not the cost to the charity.
- If benefit commercially available (from charity or elsewhere) then use that value.
- Special rules in place for:
 - Non-ticketed events
 - Life membership
 - Discounts



Example – Challenge event: Overseas cycle ride

- Registration fee £100
- Target for fundraising £2,000
- Must be raised before go £1,000
- Cost of place (paid by charity) £700

What is benefit value to the donor?

Cost of place	700
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Less: registration fee =	<u>(100)</u>
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Benefit value =	600
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Example – Membership scheme

Benefits	Value	Value for Gift Aid
Cuddly toy	Cost to charity – £1 Sale price in charity shop – £4	
Quarterly magazine	Cover price – £2	
Discount for charity café	Total discounts given: £5,000 Membership = 1,000 Used discount = 500	
Discounted admission to charity property	Total discounts given: £10,000 Membership = 1,000 (all used discount)	

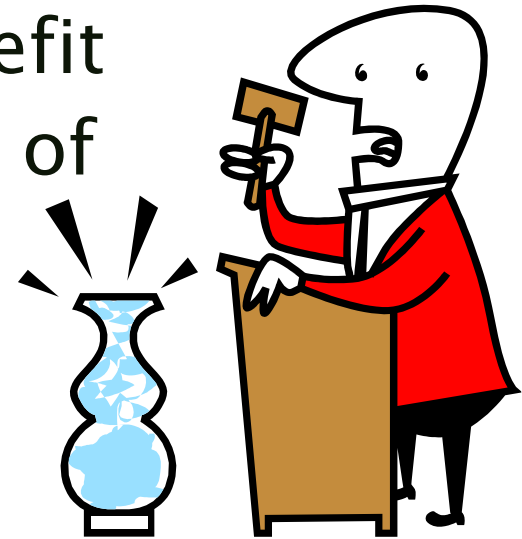



Example – Membership scheme

Benefits	Value	Value for Gift Aid
Cuddly toy	Cost to charity – £1 Sale price in charity shop – £4	£4 – benefit is based on value to the donor
Quarterly magazine	Cover price – £2	Nil – disregarded benefit
Discount for charity café	Total discounts given: £5,000 Membership = 1,000 Used discount = 500	Benefit – based on average – £5
Discounted admission to charity property	Total discounts given: £10,000 Membership = 1,000 (all used discount)	Benefit – only free admission is disregarded Average – £10 per member

Split payments

- Possible solution – if limits are exceeded
- Donor specifies £x to pay for benefit and £y donation before or at time of donation
- Works if £x market value can be established
- Gift Aid then available on £y donation
- Keep written evidence of split e.g. letter from donor





Split payments – example patron scheme

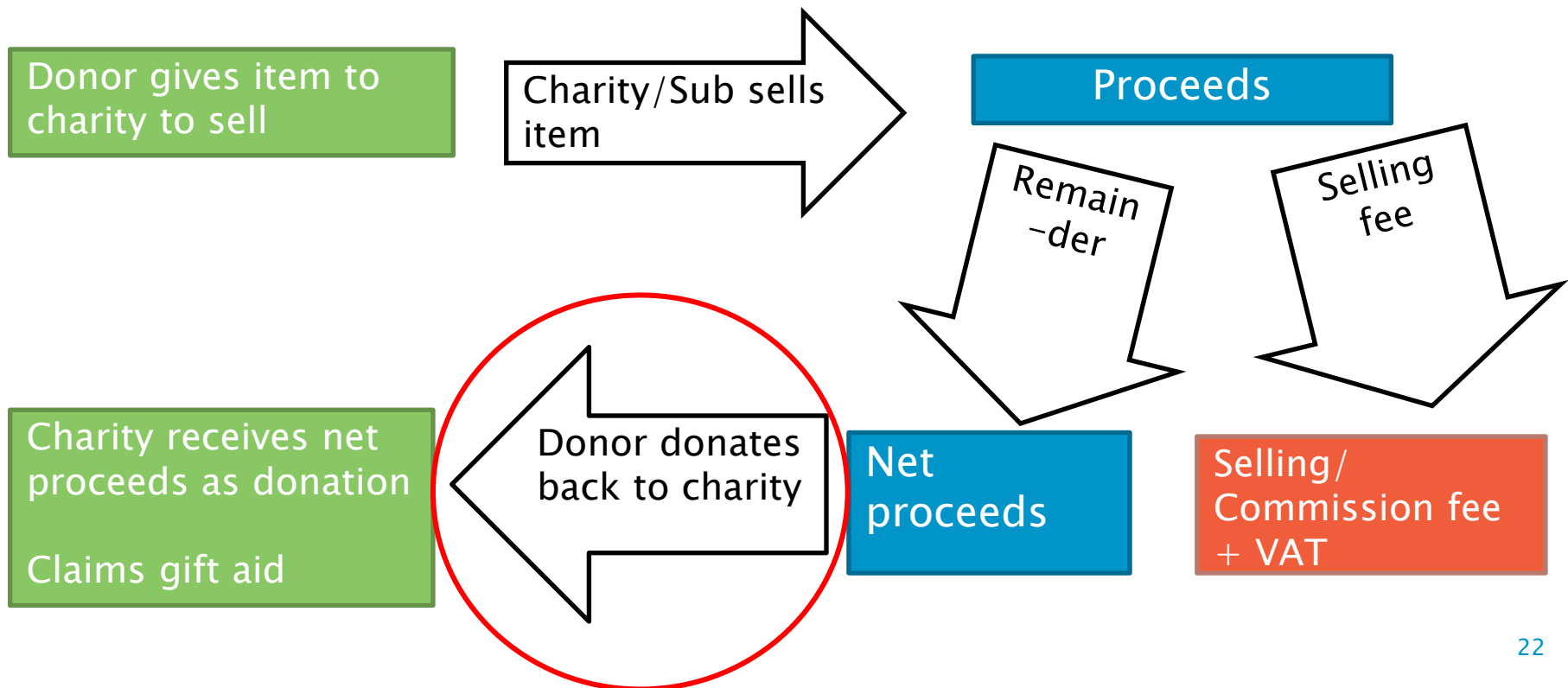
- Joining fee £500
- Total benefits are £100 – exceeds limit

Options for Gift Aid:

- 1) Don't claim!
- 2) Reduce benefits below permitted limit
- 3) Split payment – ‘Buy’ benefit for £100. Rest is donation – claim Gift Aid on £400. **Must be clear to donor that donation is optional**

Gift Aid – sale of donated goods

- Referred to as Retail Gift Aid Scheme ('RGAS')
- Charity must act as agent of donor in selling goods.





Gift Aid – sale of donated goods

- Donor must sign agency agreement and complete Gift Aid declaration
- Care needed if commission is charged – trading income, variable and possible loss of rates relief. But usually needed for VAT reasons
- Additional rules around scheme, including:
 - Writing to donors informing of proceeds. 3 different methods
 - Template letters to send – time limits for sending
 - Staff training and checks
 - Signage



Gift Aid Small Donations Scheme

- No need for declarations
- No benefits except lapel stickers and the like
- ‘Community buildings’ rules – extra allowance for each building (complex rules)
 - must carry out free access activities in a community building for at least 10 persons at least 6 times per year
 - can claim for donations received in or outside of the community building but within the same local authority area
- Can either claim under main allowance or under community buildings, but not both



Gift Aid Small Donations Scheme

- Up to £8,000 of small donations – max £2,000
- Small donation is up to £30 each – in cash (coins, notes, not cheques) or contactless debit/credit card in person
- GASDS claims capped at 10 x the amount of Gift Aid successfully claimed in the tax year
- For regular donations during the Covid pandemic, HMRC accepts they can be batched and paid together as long as clearly separate donations that have been batched



Record-keeping

- Demonstrate clear audit trail

Receipt



Donor



Valid declaration



Paper or computer records



Problem areas

- Connected persons rules for benefits
- Joint bank a/cs – identifying donor
- CAF vouchers
- Raising via justgiving.com and similar
- Facebook donate
- Company donations
- Consolidating donations under one person
- HMRC guidance changes

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