



FACTSHEET 32

Gift Aid and Charities

What is Gift Aid?

Gift Aid offers charities and registered Community Amateur Sports Clubs (CASC) a simple way to increase the value of a gift of money (donation) from a UK taxpayer. Charities are able through Gift Aid to recover the tax paid by the donor, or the donor is able to get tax relief on the income used for their donation.

What are the benefits to your charity?

Gift Aid is a great way for charities to increase the amount of money received on donations made by the public at no extra cost to the donor and only some extra administration for the charity.

Charities can claim 28p from every £1 donated from HM Revenue and Customs (HMRC). This applies to both regular donations as well as "one off" donations and there is no minimum or maximum donation level.

How does it work?

For a donation to qualify for Gift Aid, the donor must be a UK taxpayer. They must pay enough income tax or capital gains tax to at least the amount of tax your charity will claim on their donations made in that tax year. For example if a donor gives your charity a £100 donation they must have paid at least £28 in tax; the

amount your charity could claim from the HMRC.

If a member of the public wishes to make a donation to your charity all they need to do is make a declaration that he/she has paid enough tax and would like to donate to your group through the Gift Aid scheme.

Higher rate taxpayers can also do this but, in addition, they can claim back the difference between the higher tax rate that they pay (40%) and the basic rate of 20%.

Charities can make Gift Aid claims at anytime during the year. Donations can be backdated up to six years prior to the date of the declaration provided the donation was made since 6th April 2000.

Transitional Relief

In the 2008 budget the Government announced a transitional relief for charities using the Gift Aid scheme. Charities and Community Amateur Sports Clubs receiving Gift Aid will also receive a transitional relief which, when added to their Gift Aid tax repayment, means that they will continue to receive a total of 28p per pound donated for the next three years.

This transitional relief has been provided by Government to allow

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charities to adjust to the change in the basic rate of income tax, and will give charities the certainty they need for the next three years (2008 –2011).

Top Tips on getting started

Step 1—Register with HMRC for tax purposes and request a reference number and registration pack.

Step 2 – Develop a Gift Aid declaration form and ensure that donors wishing to register for Gift Aid completes the form. This form is important as it provides a record of the donors consent allowing you to Gift Aid their donation.

Remember to ask on your form for the following:

- Donors full name, address and postcode
- The value of the donation
- Confirmation that they are a UK taxpayer and that the donor has paid enough tax (income or capital gains tax) within the financial year to cover the amount reclaimed by the charity

Step 3 – Claim back the tax from HMRC using R68 claim form, R68 Gift Aid schedule and R68 other income schedule for any other type of income received on which tax was already paid.

When Gift Aid can be requested

- General 'one off' or 'regular' donations from individuals
- From sponsored events. For example, sponsors of a marathon runner can make a one off Gift Aid donation but not the runner of the marathon
- Joint declarations—spouses or persons living together can make a joint donation on the same declaration form. The form must ask for details of both donors and indicate from whom each donation originates
- Business partnerships can make a donation. One partner can make the declaration on behalf of the partnership

- Admission fee's to public amenities such as museums or arts centers. However, admission charges can only be seen as a qualifying donation if:

- the visitor makes a donation of at least 10% more than the admission charge (the amount not just the 10% is treated as a donation)

or

- The donation allows admission for 12 months (excluding up to 5 days when your charity can run private functions/events at which even members have to pay)

** If you decide to opt for the 10% extra option you must clearly state that it is voluntary and display the standard price clearly.*

When Gift Aid cannot be requested?

- Raffles and lotteries
- Registration fees/non refundable deposits
- Standard admission fees without a 10% or above additional donation
- Donations that are made to help people connected to the donor

Further information about collecting information and record keeping

Gift Aid Declaration form

All donors must give authorisation to the charity for the charity to be able to claim Gift Aid on their donations. Authorisation can be obtained by the charity in a variety of different ways, including, over the phone, website, fax, leaflet, letter or email. However, it is important that the same information is requested from each donor (see tips on getting started for what information must be obtained from each donor).

Verbal Gift Aid declarations

When a donor gives his/her consent verbally to a charity to Gift Aid their donations, for example, over the phone an adequate record must be kept. A note in a database that a donor made a declaration is not good enough. There must be a link to the donor such as an audio recording of the phone conversation.

HMRC gives the following examples of satisfactory records:

- Written declaration made by the donor or a ticked box confirmation by the donor that they wish Gift Aid to apply to the donation
- Recording of the making of a declaration by the donor or recording of the donor confirming a declaration
- Computer record of a declaration template filled in by the donor and containing a link to the donors banking details
- Email copy of a declaration
- Computer “screen print” of the declaration sent to the charity
- Scanned image of a declaration
- Copy of a mobile phone text message confirmation of a declaration

Gift Aid Declarations at fundraising events

At fundraising events, for example, a public sponsorship event, the charity can ask for slightly less information if the donors details can be viewed by others and there is a need to preserve the individuals privacy. Sponsorship and other fundraising forms only need to request the following information:

- The donors initials and surname
- The donors first line of their address and postcode
- The value of the donation
- A tick box asking for confirmation that the individual has paid enough tax to cover the amount of the donation

Developing a recording system

When recording information about all donations made to your charity remember to develop a system that records:

- All donations received from each donor (date and amount donated)
- Donors full contact details and method of donation on each occasion

- Purpose of the gift (e.g. general donation)

Charities must record and keep all information regarding Gift Aid for six years.

Promoting Gift Aid within your organisation

Once you have registered with HMRC for Gift Aid it is important that your charity promotes it as much as possible to encourage donors to register. Here are some examples about how your charity can promote Gift Aid

- Promote Gift Aid on your fundraising appeals and marketing materials e.g. newsletters, website, annual reports
- Publicise what the extra money will do for your charity
- Send Gift Aid letters to your members asking them to consent to Gift Aid and explain the benefits
- Put tax effective giving on your trustee agenda each year
- Promote Gift Aid at your fundraising events

The information for this briefing has been sourced from the following:

- National Council of Voluntary Organisations
- HM Revenue and Customs
- Wales Community Voluntary Action

For more information about Gift Aid contact:

HM Revenue & Customs Charities
St Johns House, Merton Road
Liverpool, L75 1BB
Telephone: 0845 302 0203
www.hmrc.gov.uk

FURTHER HELP

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