

## GIFT AID - HOW CAN IT BENEFIT OUR CHARITY?

Gift Aid is a government scheme designed to encourage donations to charities. Charities can ask HMRC (Her Majesty's Revenue and Customs) to give them the tax which an individual has already paid on the money which they are donating.

*Who from?* Gift Aid donations to charities can be made by anyone who pays income tax or capital gains tax. Your charity can reclaim the basic rate of tax on that gift. The amount of tax reclaimed by you must not exceed the amount of tax paid by the donor within the tax year. People making a joint donation to a charity can do so under Gift Aid, providing that they both pay tax and both make Gift Aid declarations (see below).

*How much?* Donations can any amount, large or small, one-off or regular. A donation of £10 from an individual will be worth £12.50 to the charity (or 25p for every £1.00 donated).

*What for?* Gifts covered by this scheme include: money donations; membership subscriptions (provided that membership benefits don't exceed certain limits); money raised for sponsorship or at fund-raising events (provided that each donor completes a declaration form)

*What payments are not covered?* The scheme cannot be used for payments received in return for goods or services (such payments are not "gifts"), for example payment for admission to a concert, payment for a raffle ticket, an entrance fee for an adventure *challenge event etc*; or *loans to charities*

*How do we register?* Charities need to complete HMRC form ChA1, which asks about your charitable purposes and constitution. If your organisation should be registered with the charity commission (ie has an income of over £5,000pa and exclusively charitable purposes for public benefit), HMRC will not process your ChA1 until you have registered.

*The 'manager'* of the charity (eg the treasurer or chair) also has to sign a declaration stating they are "a fit and proper person" to handle charity funds and tax reliefs (a model declaration is available on the HMRC website).

Once HMRC Charities has recognised you as a charity for tax purposes, they'll send you your reference number and all the forms needed for your first repayment claim.

*What other paperwork do we need?* Individual donors must make a declaration saying that their gift(s) is to be treated as Gift Aid. A Gift Aid declaration must include: the donors full name; home address; the name of the charity; and details of the donation, and it should say that it's a Gift Aid donation. This can be verbal or written but charities must keep a written record which matches the donation with the donor. HMRC provide a model declaration.

*How do we claim?* Charities can reclaim basic tax on money gifts they receive from taxpaying individuals in one of 3 ways:

*Using the Charities Online service:* Charities can use an online form together with a schedule spreadsheet listing information about donations received. To use the online claim form, the charity needs to sign up to HMRC Online Services, and enrol for the Charities Online service.

*Online using third party software:* To make large claims (for over 1,000 donors at a time) you can use external software to file claims directly from your own database.

*Using a paper claim form:* You can submit claims on paper form, ChR1 available from the HMRC Charities Helpline. You can claim for up to 90 Gift Aid donor details on each form and can submit as many forms as you need

## **THE GIFT AID SMALL DONATIONS SCHEME**

The Gift Aid Small Donations Scheme (GASDS) allows charities to claim top-up payments from HM Revenue and Customs (HMRC) on small cash donations, where it is difficult to obtain a Gift Aid declaration from donors, for example cash collected in street collections or at religious services. You do not have to know the identity of the donors or collect Gift Aid declarations from them.

GASDS does not replace the Gift Aid scheme. It is an addition to Gift Aid.

*Who can use GASDS?* You can use GASDS if your organisation already makes claims under Gift Aid and has made a successful Gift Aid claim in at least two out of the last four tax years, without a gap of two or more tax years between those Gift Aid claims or since the last claim.

*What payments are covered?* You can claim under GASDS for cash donations of £20 or less, received after 6 April 2013. The donation must be in bank notes or coins. Donations made by cheque, credit card, text or bank transfer do not count.

*How much you can claim?* The amount you can claim depends on the amount you also claim under Gift Aid. For every £1 of Gift Aid donations you claim on, you can claim on £10 of GASDS donations, up to a maximum of £5000.

The level of payment is based on the basic rate of income tax, in the same way as Gift Aid, so where the basic rate of income tax is 20 per cent, on a small cash donation income of £5,000 the charity can claim a top-up payment of £1,250.

You can find more information on the Gift Aid scheme and Gift Aid Small Donations Scheme from the HMRC website ([www.hmrc.gov.uk](http://www.hmrc.gov.uk)) – just follow the link “Charities & Donors”. Or call the HMRC Charities Helpline on 0845 302 0203.