



Supporting The Orkney Community

Gift Aid

A guide to Gift Aid for a small
voluntary organisation

Gift Aid



Did you know that charities in the UK are failing to claim £700 million on donations that could be gift aided, mostly because they think it is too costly or complicated to operate the scheme?

Gift Aid is tax relief on money donated by individuals to UK charities.

Gift Aid works by allowing charities to take a donation (which is money that the donor has already paid tax on) and then reclaim tax on its 'gross' equivalent (its value before tax was deducted) at the basic rate. In practice this means that for every pound donated to charity using Gift Aid, the charity can claim an additional 28 pence from the Government.

Under Gift Aid rules, donors must:

- Pay enough UK income tax and/or capital gains tax to cover the amount of tax that the charity will reclaim.
- Complete a gift aid declaration

Gift Aid Declaration



The Gift Aid declaration must show:

- The donor's full name
- The donor's full home address
- The charity's name and charity registration number
- A statement that it is a gift aid donation
- Confirmation that the donor has paid enough UK tax to be eligible

The declaration can cover one-off donations, or all donations to charity, and can be backdated to cover donations made in the **six years** prior to the date of the declaration.

A charity has to register with HM Revenue and Customs Charities to claim under the Gift Aid scheme. Details on this can be found at

www.hmrc.gov.uk/charities/giftaid-repay/registering.htm

HMRC will confirm the registration in writing and provide a reference number for use on all Gift Aid claims and correspondence. Note that this number is not the same as the charity registration number issued by OSCR. They will also send out a Gift Aid Claim form.

Detailed guidance is available from HMRC Charities on keeping Gift Aid records, making claims, what's eligible and what's not, and also a model Gift Aid declaration form.

From 6 April 2008 the **basic rate of income tax** was reduced from 22% to 20% - good news for taxpayers but bad news for charities claiming Gift Aid. This would mean that the charity can only claim 25 pence for every pound donated, rather than the previous 28 pence. However, the Budget included a measure to compensate for this. Gift Aid will be paid using the new 20% basic rate of income tax but HMRC will automatically pay a **transitional relief supplement** to charities and CASCs of 2% for three years 2008/09 to 2010/2011.

This means that in effect Gift Aid remains at 28 pence for every pound donated under the scheme for the next two years.

HMRC advise putting in a claim of a minimum of £100 Gift Aid each time in order to reduce paperwork, although claims can actually be done at any time.

Sponsored Events



Gift Aid can also be used for **sponsored events**. It does not matter that the person being sponsored is not a tax payer (e.g. a child) provided that sponsor is.

The sponsorship form doubles as a Gift Aid declaration form so it is important that it contains the name of the charity, a Gift Aid declaration, a column containing a **check box for the donor to tick** indicating that the donation is to be treated as a Gift Aid donation, and a note about tax to cover the donation. The model Gift Aid Sponsorship Declaration Form can be downloaded from HMRC charities website and used as a template to be adapted to suit your individual event.

The sponsorship form has to be fully completed to be eligible, ie donors must give their **full name**—not Uncle Jimmy—and **home address and tick the Gift Aid column**.

The procedure for making Gift Aid claims is different in that a **separate claim must be made for each sponsored event**. Under the “**modified procedure**”, rather than listing the name and amount for each individual sponsor on the claim form schedule, the name of the **person sponsored** can be listed showing the total amount on his sponsor sheet eligible for Gift Aid. This “modified procedure” clearly makes it a lot simpler to reclaim Gift Aid on sponsored events. A short letter should be included with the claim form saying that the modified procedure has been used. Original sponsor forms must be kept to back up the claim.

Self Assessment Donate



Under Self Assessment Donate, any taxpayer filling in a Self Assessment Return and entitled to a **tax repayment** can choose to have all or part of this rebate sent directly to a charity of their choice. The repayment can also be made as a **Gift Aid donation**, increasing its value by another 28 pence in the pound. HMRC will send the refund (plus any Gift Aid repayment where applicable) directly to the nominated charity by electronic transfer.

To benefit from Self Assessment Donate, charities have to **register with HM Revenue and Customs** and are given a special **reference code**, which the taxpayer enters in the designated box provided on the SA Return.

If you are a charity receiving donations and NOT reclaiming Gift Aid, WHY NOT?

Full information on Gift Aid for Charities and the relevant forms can be found on HM Revenue and Customs website at www.hmrc.gov.uk/charities

See also: Tax Effective Giving www.tax-effective-giving.org.uk and Charities Aid Foundation www.cafonline.org