

What is Gift Aid?

Gift Aid is a scheme operated by HM Revenue and Customs which enables a charity to increase the value of its monetary gifts from UK taxpayers. The charity claims back from HMRC the basic rate tax paid by the donor. Gift Aid can cover single donations of any amount or can apply to a series of gifts without time limit.

The tax recovered is on the 'gross equivalent' of the donation received i.e. its value before tax was deducted at the basic rate. This means that, while the basic rate of tax remains at 20%, 25p can be recovered for every £1 donated.

Donations qualifying for Gift Aid

Gift Aid is only available for gifts in the form of a monetary payment, made by cash, cheque, direct debit, credit or debit card, postal order, standing order or telegraphic transfer. Gifts made by cheque do not count as received until the cheque has cleared. The gift can be in sterling or a foreign currency, converted to sterling at the rate on the day the gift is made.

There is no minimum donation.

Who can make Gift Aid donations?

For a donation to qualify for Gift Aid, the donor must pay at least as much UK tax (Income Tax and/or Capital Gains Tax) as the amount of Income Tax that the charity is reclaiming. Any donor making a number of Gift Aid donations must pay a sufficient amount of UK tax on the total amount of those donations and may be required to pay any shortfall in tax paid to HMRC.

Payments NOT qualifying for Gift Aid

- donations of money from a company
- donations in the form of a loan or loan waiver
- gifts made on behalf of other people
- gifts that come with a condition about repayment
- gifts with a condition that the charity buys goods, services or property from the donor
- payments received in return for goods or services - these are not gifts e.g. payment for admission to a concert, payment for a raffle ticket, an entrance fee for an adventure challenge event etc
- a 'minimum donation' where there is no choice about payment - this is simply a fee for goods or services, it is not a gift
- gifts made using 'charity vouchers' or 'charity cheques'
- Donations received before the date that HMRC accepts your organisation as a charity for tax purposes

Please note: amounts received from members in respect of subscriptions (for funding administration and capitations) and/or meal costs cannot be given under Gift Aid as they are not for charitable purposes and cannot be classified as voluntary donations.

How can the gift be made?

To qualify for Gift Aid, a gift can be made in writing or it can be made verbally, provided that a written record is kept. Gift Aid can apply to a single donation, to a series of donations, all donations after a certain date or any other arrangement that suits the donor. Gift Aid declarations can even be backdated to apply to gifts made during the previous 4 years.

'Benefits' given in return for donations

A charity can give donors modest (low value) tokens of appreciation - called 'benefits' - to acknowledge a gift, but there are limits on their value. The key principle to remember is that if any donor or person connected to the donor, benefits significantly from their donation, then their donations will not qualify for Gift Aid.

Benefit limits for donations to one charity in any one tax year

Amount of donation	Maximum value of benefits
£0 - £100	25% of the donation
£101 - £1,000	£25
£1,001+	5% of the donation (up to a maximum of £2,500)

The benefit limits listed above are for Gift Aid purposes only. If you give a donor a benefit in return for a payment this may be considered a business supply for VAT purposes and VAT may be due on income.

Payments for the following usually cannot come within the Gift Aid scheme:

- to purchase books, jumble sale items, food etc
- for admission to events (jumble sales, concerts etc)
- for raffle or lottery tickets (including 100 clubs etc).

See <https://www.gov.uk/guidance/gift-aid-what-donations-charities-and-cascs-can-claim-on> for more details.

Gift Aid - rules in specific situations

In certain circumstances, some payments made to charities which are not strictly gifts, e.g. successful bids at a charity auction or tickets for events, may be treated as donations for Gift Aid purposes as long as the Gift Aid rules are followed.

Please refer to the HMRC website for more details on <https://www.gov.uk/guidance/gift-aid-what-donations-charities-and-cascs-can-claim-on#charity-auctions>.

Gift Aid Small Donations Scheme (GASDS) – After 6 April 2017

GASDS applies to cash or contactless card donations of £20 or less and means that charities are able to apply for a Gift Aid style repayment without the need to obtain Gift Aid declarations for those donations. The total annual donations qualifying under GASDS is capped at £8,000 per year per charity which means a maximum repayment of £2,00 per annum.

The minimum period of charity status and previous Gift Aid claims requirements are being lifted but charities still need to be recognised by HMRC for Gift Aid purposes and have a good tax compliance record.

No benefits can be given to donors under this scheme.

You must not include any donors who have already made a GA declaration.

There is a **Matching Rule** for GASDS under which charities must match claims under the scheme with those under GA in the same year. For every £1 of ordinary GA charities can claim GASDS top up payments of £10 up to the maximum limit of £2,000.

For further information on the Gift Aid Small Donations Scheme please visit the HMRC website:

<https://www.gov.uk/government/publications/charities-detailed-guidance-notes/chapter-8-the-gift-aid-small-donations-scheme>.

Tax relief for donors

Any donor who makes payments under Gift Aid must pay sufficient tax (income and/or capital gains tax) to cover the tax which is treated as deducted from the gift made.

Where the basic rate tax is 20%, the individual donor must have paid income or capital gains tax of 25p for every £1 donated to charity under Gift Aid. The effective gross donation is £1.25.

For higher or additional rate tax payers, the donor is able to claim relief equal to the difference between the higher rate of tax at 40% or 45% and the basic rate of tax of 20% on the total value of the donation – a total of 20% or 25%.

Details of donations made under Gift Aid are reported on the donor's tax return and higher rate tax relief is given by self assessment. It is essential for donors to keep a record of all payments made under Gift Aid to support claims for tax relief made in this way.

Gift Aid declarations

Before your charity can claim tax back on a donation made by an individual, you need to obtain a Gift Aid declaration from that individual - the donor.

A Gift Aid declaration can be made in writing, electronically or verbally, and must contain certain information about the donor. You also need to show that you have advised the donor that they will need to pay sufficient UK tax at least equal to the amount that your charity will reclaim on their donations.

Where a **verbal** declaration has been made you must send the donor a written confirmation of their declaration. This must contain certain information as specified by HMRC. Verbal declarations are not effective until this written confirmation has been sent to the donor

There is no set design for a GA declaration. Charities can choose to use their own GA declaration form (must contain certain information). Alternatively they can use a HMRC model GA declaration. There are 3 separate versions covering, single donations, specific donations and sponsorship. (see separate section)

You must keep these records in support of your Gift Aid repayment claims. Each donation included in a claim must be supported by a Gift Aid declaration.

All declarations must include the following information:

- name of the charity
- donor's name (minimum first name initial and last name) and address (minimum house name/number and post code)
- a description of the donations to which the declaration relates, and whether the declaration covers only the present donation or past and/or future donations as well
- a declaration that Gift Aid is to apply to the donations (tick box in sufficient)
- an explanation to the donor that they must pay at least as much income and/or capital gains as the amount that will be claimed by the charity and any other charities that they donate to and that other taxes such as VAT and council tax do not qualify
- a statement or verbal confirmation by the donor that GA is to apply. A tick box is sufficient.
- the date the declaration is made.

Gift Aid declarations can be worded so that they apply to:

- a specific donation or donations only (including past donations)
- a specific donation plus all future donations
- a specific donation, specified past donations plus all future donations

There is a different procedure for declarations relating to donations for sponsored events.

The donor is responsible for informing the charity of any changes to details provided on the Gift Aid declaration.

Further details can be found on the HMRC website:

<https://www.gov.uk/guidance/gift-aid-declarations-claiming-tax-back-on-donations>.

Claiming tax on Gift Aid donations

You don't have to register as a charity to claim GA but a charity must be recognized by HMRC as a charity for tax purposes before HMRC will accept a GA claim. Recognition by HMRC as a charity is a separate process from registering with the Charity Commission as a charity.

Before your charity can make a GA or other repayment claim, you need to nominate someone in your charity as an authorized official or nominee. This means they can claim/receive money on behalf of the charity.

Gift Aid claims for sponsored events

If your claim includes amounts received for sponsored events for which there are a large number of donors, you don't need to include all the individual donor details.

Instead there is a sponsored indicator you can set on the online claim.

When making a claim, you only need to provide full details of the participant, the total sponsored GA amount and the date of the event. Individual donations of £500 or more must be listed separately on the claim.

You must only include in the claim donations that the sponsor has indicated to include in GA.

You must retain all original sponsor forms.

When and how often to claim

A charity can claim tax as often as it likes, but there are time limits:

For a charitable trust - claims must be made no later than four years after the end of the tax year to which the claim relates e.g.

for donations made during the year ended 5 April 2014, the final date on which a Gift Aid repayment claim can be made to HMRC Charities is 5 April 2018.

For all other charities - claims for charitable companies must be made no later than four years after the end of the accounting period to which the claim relates.

How to make a Gift Aid Claim

There are 3 ways for charities to claim tax repayments

- **Claims on-line using the Charities Online Service**
You can use an online form to file your repayment claim.
You will need to add information about the donations your charity receives onto a schedule spreadsheet and attach it to your online claim form. To use the online claim form your organisation needs to sign up to use HMRC online services <https://www.gov.uk/guidance/claim-tax-back-on-donations-using-charities-online>.
- **Claims online using third party software**
If you want to make large claims (for over 1,000 donors at a time) you can also use external software to file claims directly from your own database.
- **Claim manually by using a paper claim form ChR1**
Form ChR1 can be ordered from HMRC charities helpline.
You must use an original form for each claim.

When you will receive your money

Claims made on line are normally paid in a few days but can take up to 15 days in certain circumstances. You will receive a postal notification.

Claims made using form ChR1 can take up to 4 or 5 weeks to be paid.

First claim – could take up to a further 2 weeks.

Please refer to the HMRC website for details: <https://www.gov.uk/claim-gift-aid/how-to-claim>

Retention of Gift Aid records

Written declarations can be kept on paper or scanned and stored on a computer.

Charitable trusts are recommended to keep their tax records (including Gift Aid declarations and records) until the later of:

- six years after the end of the tax year they relate to, and
- 12 months after you make your Gift Aid repayment claim for that tax year.

A charitable company must keep its tax records (including Gift Aid declarations and records) until the later of:

- six years after the end of the accounting period they relate to
- 12 months after you make your Gift Aid repayment claim for that accounting period.

Donations to Rotary Foundation of the United Kingdom

Donations from individuals and club members to Rotary Foundation of the United Kingdom should be made direct to RFUK. RFUK provides Gift Aid declaration forms, and deals with reclaiming Gift Aid. Where donations intended for RFUK have been collected in bulk by the club, the funds and Gift Aid declarations should be sent direct to the RFUK administrator at Alcester together with a list of the names of the individual donors and the amount each one has donated. Gift Aid claimed on donations to RFUK is credited to the same account as the original donation.

Further help

For further help, please contact your district treasurer, the RIBI Finance Department, or visit the charities section of the HMRC website: <https://www.gov.uk/charities-and-tax>.