

THE CFG/AIM GUIDE TO

# GIFT AID 2020

## Your Questions Answered



Association of  
Independent  
Museums

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About CFG membership

# INTRODUCTION

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As part of our partnership with them, CFG have put together this guide to Gift Aid for AIM members, packed with advice and top tips from a range of experts.

Gift Aid has always been of vital importance to AIM members and we recognise that this year, more than ever, every penny counts. This guide is intended to help museums make the most of every donation and support your financial resilience.

**If you're not already a CFG member, it's free to join as part of your AIM membership.**

Keep up-to-date on essential charity finance updates, access upcoming events and training with member discounts, receive a free monthly members magazine exploring the big finance and leadership issues for charities and social enterprises, and join special interest groups and members' meetings for free – plus much more.

Find out more and sign up [here](#).

Emma Chaplin, Director, AIM



# WELCOME

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Back in 2018 when CFG first launched Gift Aid Awareness Day and the #TickTheBox campaign, we could not have conceived where our sector would be two years on. This year, our campaign was set against a very different background to the previous two years.

In 2020, our organisations are not only feeling the pressure from the inevitable increase in demand for our services; we are coming to terms with what social distancing, local lockdowns, reduced income and reduced staff and volunteer capacity mean for us and, most importantly, our beneficiaries.

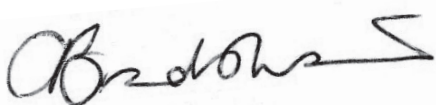
***It doesn't really need saying, but it can't be stated enough: We are all having to do so much more, with a lot, lot less.***

At a time when every penny literally counts, we want to go that extra mile for our members. This year, CFG has compiled this handy **Guide to Gift Aid** to help you – and your donors – maximise every pound that is donated to your charity.

On the following pages, you'll find articles by some of the UK's leading professional accountancy firms, consultancies and legal experts. By compiling this expertise, our aim is to answer many of your frequently asked questions and help you to quickly tap into the latest guidance.

We hope that this year's Gift Aid Awareness Day went some way towards reducing the £560 million in Gift Aid that goes unclaimed each year. It's vital that we do all we can to strengthen our financial resilience and be there for the next person who needs us. In 2020, we are #NeverMoreNeeded.

With all good wishes



Caron Bradshaw, CEO, CFG



# Gift Aid – have you ticked the box?

Did you know that under the Gift Aid scheme, when you make a donation to charity, the charity can benefit from an extra 25p for every £1 you donate at no extra cost to you?



# Did you know that under the Gift Aid scheme, when you make a donation to charity, the charity can benefit from an extra 25p for every £1 you donate at no extra cost to you?

Provided you are a UK taxpayer and have paid enough Income Tax and/or Capital Gains Tax in the year to cover the Gift Aid that can be claimed, you can make a Gift Aid declaration which allows the charity to claim the extra 25% from HMRC.

Not only does this benefit the charity, but if you are a higher rate tax payer you can also claim tax relief on the donation you make. Relief is given by increasing the amount of income on which you pay tax at 20% by the gross donation. For example, a 40% taxpayer making a donation of £100 will receive tax relief of £25 (£125 @ 20% the difference between the 20% and 40% band).

So next time you make a donation to charity and are asked if you would like to Gift Aid your donation, if you are a UK taxpayer and have paid sufficient Income Tax and/or Capital Gains Tax, make the declaration to maximise the benefit to the charity and yourself. Gift Aid declarations can also be made to cover any futures donations and donations made to the charity in the previous 4 years.

Don't forget you may be able to claim Gift Aid on donated tickets costs

The ongoing COVID-19 pandemic has meant many theatres and other visitor attractions such as museums and galleries have remained closed and had to cancel a number of performances and events.

Whilst refunds have been issued for many of these cancelled performances, there are numerous customers who have been happy to donate their ticket cost rather than have a refund. The generosity from the customers makes the receipt a donation for the charity and therefore qualifies for Gift Aid if a valid Gift Aid declaration is made.

It is helpful to note that Gift Aid declarations can be made orally (including over the 'phone) or by electronic means (e.g. email) as long as they cover the key requirements of the declaration: -

- Name and home address of the donor
- Name of the charity
- Identifying the gift or gifts to which the declaration relates
- Confirmation that the donation is qualifying i.e. that the donor has paid sufficient Income Tax or Capital Gains Tax in the current tax year

This is a relaxation of the Gift Aid rules to help support theatres and other visitor attractions during these difficult times, normally debts would need to be repaid and then the funds given back rather than simply "released" to qualify for Gift Aid.

To find out more about how Bishop Fleming's charity and not for profit team can support you, please visit their website [here](#).





# Five common Gift Aid questions

Jon Daley from Buzzacott  
answers questions on some  
common Gift Aid scenarios.



Buzzacott

Following our participation in Gift Aid Awareness Day with CFG on 8 October 2020, we noted some common themes in the questions raised by charities about Gift Aid and its treatment...

To continue to support CFG/AIM members, we've noted five common Gift Aid scenarios and detailed how Gift Aid should be treated in each case. Read on for more...

***1. We are planning to put on a fundraising dinner and are asking attendees to make a minimum donation of £50 to attend. Can we claim Gift Aid on these donations?***

No. The £50 is very unlikely to be accepted as a genuine donation for Gift Aid purposes, as it is clearly a payment to attend the event. In the same way, you cannot claim Gift Aid on payments for raffle tickets or similar activities at fundraising events.

What you could do, for example, is charge a fixed fee of £30 for attendance (aiming to cover all your costs) and suggest a further donation of £20. As long as you make it clear to the attendees that there is no requirement or expectation for them to pay the £20 donation in order to attend the event, then you may be able to claim Gift Aid on the additional donation. Of course, commercially the charity would need to weigh up the benefit of a possible extra £5 in Gift Aid and the risk of someone not making the donation. Additionally, HMRC may require supporting figures to demonstrate that some supporters did not pay the £20 and still attended, some donated less, and some donated more than £20. This is to demonstrate the payment was a free-will donation and the attendees were not all expected to pay the total £50 to attend.

***2. A donor has given us a cheque donation accompanied by a letter saying "I wish for this to be treated as a Gift Aid donation". Is this sufficient for us to claim Gift Aid?***

No. It is not sufficient for the donor just to write



a message saying that they want the donation to be Gift Aided. The donor must make a formal Gift Aid declaration, and it must be made clear that if they have not paid enough UK income tax and/or capital gains tax to cover all their Gift Aid donations in the tax year, they are responsible for paying the difference. They must provide their name and home address, and identify the gift and the charity on the declaration.



“There is no need for the donor to be resident in the UK, nor for the donation to be in UK currency. This is a common misconception that leads to Gift Aid opportunities being missed.”



**3. We have received a large donation in US dollars from a donor who lives in the United States. Can we claim Gift Aid on this even though the donor is not a UK resident?**

Yes, as long as they are a UK taxpayer and have made a declaration. There is no need for the donor to be resident in the UK, nor for the donation to be in UK currency. This is a common misconception that leads to Gift Aid opportunities being missed.

**4. Our charity runs a membership scheme where members pay £30 a year and we give them a magazine about the charity's work, discounts in our shop, and an invitation to a drinks reception. Can we treat these as donations and claim Gift Aid, even though the members get membership benefits?**

You can claim Gift Aid on membership payments as long as the value of the membership benefits falls below a certain prescribed limit, in this case 25% of the donation i.e. £7.50. If the membership benefits in total are worth more than £7.50, then you cannot claim Gift Aid on any part of the payment.

How to value donor benefits varies depending on the type of benefit. But in most cases a magazine about the charity's work has a nil value, shop discounts are usually valued based on the average take-up across all members, and a drinks reception is usually valued based on the non-member ticket price (if available) or, if there's no ticket price or equivalent event, the cost per head of staging the event.

**5. A donor has bought some new computers for our office and donated them to us. How do we claim Gift Aid on these donated computers?**

Unfortunately, you can't. Gift Aid can only be claimed on monetary donations. It would be more efficient in this scenario for the donor to gift money to the charity and express their non-binding preference for the charity to spend this money on new computers.

Read on for  
answers to even  
more of your Gift  
Aid questions...



**By Jon Daley**  
**Associate Director,**  
**Charity Tax Team**  
[Buzzacott](#)



# All the answers to your top Gift Aid questions



By Rachel Cooper  
Welbeck

Rachel Cooper of Welbeck and a trainer at Charity Finance Group took over CFG's twitter on Gift Aid Awareness Day in 2019. Many questions were asked that are still pertinent in 2020. Read on to find the answers to your FAQs...

**1. Do I have to record everyone's details if they are doing gift-aided entry?**

For Gift Aid, HMRC needs initials, last name, house number and postcode and you need a Gift Aid declaration which you can find [here](#). HMRC's stated preference is to collect full first names, but as yet they are not insisting.

If you're collecting small cash donations you might want to think about doing that under GASDS rules instead, then you don't have to have details. [You can find the rules here](#).

**2. Do you have to verbally inform every customer of the standard price, only those who cannot, or choose not to Gift Aid, or do you rely on the customer to ask for the standard price?**

It is difficult, but HMRC expect that you will inform every visitor and if you are chosen for an audit, they will check whether or not that happens. Here's what HMRC say:

'You'll need to clearly advertise their normal entry fee and make it clear to all visitors that they will be allowed entry when they pay the lower admission charge if they choose not to make an additional 10% voluntary donation. You can explain the choice to pay the standard entry fee or the 10% or more donation amount on your admission signage and website. The options should be explained by staff or volunteers at the time of asking for payment.'

**3. Can museum visitors claim Gift Aid for donations in retrospect?**

You can make claims up to four years after a donation has been made, but you can't retrospectively decide that past admissions are now donations and can be Gift-Aided.



**4. Can museum members claim Gift Aid on their annual membership?**

Memberships are tricky, it depends on what benefits the members get back, if the subscription is purely for membership. It's worth looking at the examples on the [gov.uk website](#). Watch out for newsletters – they can only be about your work e.g. a rail museum magazine with articles on railway history and not just its exhibitions are seen as a benefit, so memberships couldn't be gift-aided.





**5. My reading of the rules for claiming Gift Aid on Small Donations – i.e. those given by visitors at the museum – is that it can only be done when there are at least 12 people in the museum at one time?**

There were tricky rules about Community Buildings when it was first introduced, but you don't need to worry. If you aren't claiming as a Community Building you're fine. You can potentially claim extra GASDS if you have a number of Community Buildings. Check out the rules [here](#).

**6. We are all volunteers and 70+ years old and so our knowledge of modern technology is basic. We realise that we are missing out on some extra income, but haven't the first idea of how to proceed.**

Why not [talk to your local CVS](#)? Someone like that will be able to start you off and it's not hard from there – honest!

**7. Could you give some clear guidelines about how much of a Friends membership can be gift-aided? In your experience, is there an acceptable percentage?**

This depends on what people get back. In practice it varies from 0 to 100%. It really does depend on what you are giving to your members – look at the value of that and split the fee between 'charge' and 'donation'. Take advice in each case.

**8. Could you give some general advice on the advantages (or not) of claiming Gift Aid on admissions – thus using the exemption from VAT – against the benefits of charging VAT on admissions, but reclaiming VAT on costs of conservation, restoration and operations. I am considering the position of a working museum which successfully operates Gift Aid but has quite high running costs and can't reclaim VAT if claiming Gift Aid.**

My understanding of the cultural exemption is that it is not a matter of choice. If you are an eligible body, then admissions are exempt, and your museum fulfils those criteria. It is not dependent on whether or not you claim Gift Aid. It would be a matter of doing some calculations.

Is the amount of Gift Aid that you claim higher than the amount of irrecoverable VAT you suffer? What would the impact be of having to charge VAT on your admissions? And if you think it would be beneficial, then you would have to find some other vehicle for selling your tickets and managing the running costs so that you were in a position to operate VAT – but that would have to be commercially sustainable and not supported by charity funds.

**9. Someone has donated an item to us (before my time and there is no formal paperwork). We have now decided that the best course of action would be to sell the item and put the money to our education programme. They would like to Gift Aid this money. If it still belonged to them, I am assuming we could sell it on their behalf and they could Gift Aid the money, as it was 'donated' however unofficially to us in the past, where does that leave us?**

Unfortunately, Gift Aid can only be claimed on gifts of money – and as you say, this item was donated a while ago and so I can't see a reasonable



way around it. You can't give it back for them to sell as the charity has a responsibility to its property. And if it still belonged to them – they would have to sell it – because it isn't a charity shop, selling something on their behalf is not allowed (HMRC clarified this a couple of years ago). Sorry! Do ask around and see if someone else knows a good honourable loophole.

***10. As I consult for a number of museums and heritage sites, I often come across venues that could benefit from introducing Gift Aid. What is the simplest way to set up a Gift Aid scheme – what steps would they have to take, what resources would they need and what issues should they look out for?***

As with everything, the actual mechanisms will depend on who is carrying them out. Larger organisations will be likely to have software to manage their Gift Aid and donors, some organisations may use accounting packages that manage Gift Aid for them, and some may keep records on a simple spreadsheet, with declarations and correspondence neatly filed in a ring binder, but the basic principles are always the same. I'd talk to local museums about their systems to see the practicalities of what kinds of files they hold. You don't need to be large at all – I help a local choir and they find it's worth doing Gift Aid for their 40 members and don't find it hard. It is easier though if you have someone who is handy with a spreadsheet.

And the first two things I advise are bookmark this webpage on the [government's website](#) and note down the HMRC helpline number 0300 123 1073 – other HMRC helplines may not have a great reputation – these people are lovely, answer quickly and are really helpful.

Following the GOV.UK guidance is pretty straightforward and I'm not sure that anyone has written it more clearly and concisely than their basic how-to guide, so start there and follow those steps.

In terms of resources – at a basic level, a few files, an ordered approach and a bit of confidence with technology (spreadsheets and submitting forms to HMRC) are all you need, but you can go as complex as you like with CRM systems and ticketing technology.

The issues to look out for are:

- the [rules on admissions](#) are counter intuitive, so check them out every time you are thinking of introducing Gift Aid, or a change to your entry fee structure.
- Benefits – always watch out for what you are giving back to people who are making donations because it is easy to be caught out by giving what you think is a simple thank you, but HMRC thinks is a valuable benefit. A reception for a company that has given you a donation for an event might well be seen as trading, and as a payment for a service not as a donation.

There are some more museum specific tips here: <https://www.museumsassociation.org/campaigns/museums-and-tax/gift-aid-tips>

***11. Can Gift Aid be applied to event sponsorship?***

Another 'it depends' answer! You can't get Gift Aid if the donor gets something of value in return. That might include entry tickets, or a named event. Check out the rules [here](#) and take on advice in each case.



I help a local choir and they find it's worth doing Gift Aid for their 40 members and don't find it hard. It is easier though if you have someone who is handy with a spreadsheet.





**12. Our history society members pay an annual subscription for which they get a biannual magazine and five lectures. Can Gift Aid be paid on the subscriptions?**

This is a really good membership question. This sounds like these would be benefits, so now we're looking at whether you might split the fees. You can ask your members to pay a certain amount for the benefits they get and an amount on top of that for 'membership' – and then you can claim Gift Aid on the amount on top. Find out more in Chapter 3 on the Government's Gift Aid publication – and here's a handy bit:

'Where a charity separates that part of the membership subscription that simply gives the basic rights of membership and does no more than cover the basic administration costs of the charity from any part that relates to the provision of services or facilities the membership element can be a gift. So, for example, a sports charity that charges depending on the member's standard, could regard the basic membership as a gift. The additional training or playing charges could not be treated as gifts. A charity could not treat any part of the subscription as a gift if participation in the activities involved personal use of services or facilities.'

**13. We get numerous small cash donations but no indication about the donors (by name or amount). Can Gift Aid be claimed?**

This question makes me so happy, because it brings in the Gift Aid Small Donations Scheme – it's a top-up scheme precisely for these kinds of donations, and if you claim Gift Aid, it's really easy to claim for this too, for cash and contactless donations of £30 or less (it was £20 or less before 6th April 2019). [Find out here!](#)

**14. Are there any useful websites to find out more about Gift Aid?**

Yes! You can visit the [Charity Tax Group's website](#) and find out more on the [government's site](#). The [Museum Association's website](#) is open to non-members and contains information. And don't forget the [Institute of Fundraising](#) if you're wondering what you are allowed to do and what benefits you are allowed to offer.

By  
Rachel Cooper  
Welbeck

[Find out more about Rachel  
Cooper and Welbeck](#)



# Avoiding common pitfalls

It has been a difficult year for charities. With donor-giving levels down and many fundraising activities cancelled, now is the time to ensure you are getting the most out of your charity's Gift Aid claim.



haysmacintyre

# Follow up with donors where you believe there to be missing or unclear information from their Gift Aid declarations. If you think there is an opportunity to claim Gift Aid, then take the initiative...

## AVOIDING COMMON PITFALLS

Are you using inexperienced or poorly trained staff/volunteers to process your Gift Aid claims?

Gift Aid is complex and it is worth investing time and resources in correct training and awareness for your staff/volunteers. Give it the attention it deserves!

Can you produce a complete audit trail from donor to donation?

HMRC are increasingly interrogating claims and expect a charity to be able to document the path of a donation, including linking the donor to a valid Gift Aid declaration.

Gift Aid and tax legislation is always changing. Are you up to date with the latest changes?

Recent changes include:

Increases in value thresholds for benefits received as a consequence of the donation.

Simplification of the Gift Aid Small Donations Scheme (GASDS), making it easier for charities to access. HMRC guidance now suggests that the Gift Aid declaration should include the donor's full name, rather than just initials (see page 18).

Excluding donations from your claim

Take care not to exclude donations that are from members where they are freely given. If you have suspended your charity's membership payments, or where it has not been possible for the usual benefits to be provided to your donors, some payments you receive may well now qualify for



Gift Aid. Check to see if a claim is now possible.

## OPPORTUNITIES

1. If your charity has not yet claimed or is behind with claims, do not delay, get your claim in as soon as possible.

Time limits for claims:

- Trusts: four years from 5 April in which the donation was received
- Corporates: four years from end of accounting period in which the donation was received
- GASDS: two years

2. Follow up with donors where you believe there to be missing or unclear information from their Gift Aid declaration. If you think there is an opportunity to claim Gift Aid, then take the initiative and make contact with your donors.

3. Take care not to exclude donations where they have unusual address details. Claims can still be made for donors living in care homes, houseboats and pubs. For example, HMRC does not expect you to investigate every donor's address details; if it looks reasonable, make a claim.



By [Louise Veragoo](#)  
NFP Tax Director  
[haysmacintyre](#)





How giving  
to charity can  
reduce your  
tax bill

Buzzacott

# Donating to your favourite charities can have a feel good effect, but did you know that your generosity could also potentially reduce your tax bill?

## How it works for the individual

The most common way people in the UK give to charity is by donating money. Giving through Gift Aid is a tax efficient way of making gifts or donations to UK registered charities and, subject to certain conditions, EEA registered charities.

Gift Aid can only be claimed on donations made by UK taxpayers, as Gift Aid is a repayment of the UK basic rate income tax (20%) a UK income taxpayer paid on their gift. However, instead of the tax being repaid to the taxpayer, it is repaid to the charity.

Donating through Gift Aid means that charities and community amateur sports clubs (CASCs) can claim an extra 25p for every £1 they receive.

For example, if a taxpayer donates £100 to charity, this will be deemed to be the amount received net of basic rate tax i.e. gross income of £125 x 20% (basic rate) = £25 tax, resulting in a net donation of £100. If you pay Income Tax at the basic rate, no additional relief is due on your gifts.

### Higher rate and additional rate taxpayers


Once an individual has made a Gift Aid declaration, their basic and higher rate tax bands are



extended by the gross charitable donation, thereby increasing the proportion of their income taxed at the lower rates.

For example, if a higher rate taxpayer (40%) donates £100 to charity, their basic rate band is extended by £125. The charity claims the 20% tax from HMRC as usual; however, the taxpayer also benefits from the donation due to the fact that £125 of income that would have been taxed at 40% is now taxable at 20% by making the Gift Aid declaration.

The result is that the taxpayer receives additional tax relief of 20% by paying less higher rate tax to HMRC. Similarly, for additional rate taxpayers (45%), income tax relief increases to 25%.



...the higher rate taxpayer also benefits from the donation due to the fact that £125 of income that would have been taxed at 40% is now taxable at 20%...

## Even more relief for high earners (between £100,000 and £125,000 per year)

The tax-free personal allowance (£12,500 for 2020/21) reduces by £1 for every £2 of income above £100,000. However, Gift Aid donations extend the £100,000 threshold, such that the personal allowance is restored by £1 for every £2 of gross Gift Aid donations. The combined effect of the extended basic rate band and the restored personal allowance gives an effective rate of tax relief of 60%.

The easiest and quickest way to claim relief is to complete a Self-Assessment Tax Return and include details of any Gift Aid donations made during the year.

## Getting tax relief sooner

In your Self-Assessment Tax Return, you normally only report allowable expenses which were incurred during that particular tax year.

But for Gift Aid, the options are much more flexible. You have the choice to “carry back” any Gift Aid donations you make in the current tax year (up to the date you file your return) to the previous tax year to claim tax relief if you either:

- want tax relief sooner; or
- will not pay higher rate tax in the current year, but you did in the previous year.

This means that you can make a claim for tax relief on your 2019/20 Tax Return for any Gift Aid donations you make up to and including 31 January 2021,

if you file online (or 31 October 2020 if you submit paper Tax Returns).

You cannot do this if:

- you miss the deadline (31 January if you file online)
- your donations do not qualify for Gift Aid - your donations from both tax years together must not be more than four times what you paid in tax in the previous year.

## Not paid enough tax?

### A word to the wise

An important point to keep in mind: When you make your Gift Aid declaration, you are stating that you will have paid enough tax during the year to cover the 20% tax that the charity will claim from HMRC. If it turns out that you haven't paid enough tax, then you will have to make good the tax claimed by the charity via your Self-Assessment Tax Return.

Those looking to donate to charity should proceed with caution to avoid any pitfalls. For example, you cannot claim Gift Aid on subscription fees that are later paid to a charity, or if you make a charitable donation and receive benefits from the charity that exceed the allowed limits (this will depend on the amount donated).

If you have a query about any aspect of Gift Aid, whether you are looking to donate or are a charity wanting to ensure you're maximising the reliefs, Buzzacott are here to help, please visit [our website](#).

By [Ogonna Agwa](#)  
Manager  
[Buzzacott](#)





Are you  
maximising claims  
on fundraising  
activities?

**pem.**



Charities hold a variety of events to raise funds. It is vital to know whether Gift Aid can be claimed on donations received from these, otherwise claims could be missed, or made on ineligible donations.

Below are some of the more common fundraising activities and tips on how to maximise Gift Aid claims for these. The focus is on the donor benefit rules, but the other Gift Aid requirements, such as receiving a valid declaration, will still need to be met.

### Charity Auctions

Auction bids can attract Gift Aid in some circumstances. Generally, payments for items at charity auctions are purchases and not gifts. However, bidders often intentionally pay over the odds for an item so that the charity can receive a benefit. For a payment, or part of it, to be eligible for Gift Aid it is important that the donor benefit thresholds are adhered to. As a reminder, the current donor benefit thresholds are 25% of the donation for gifts of up to £100, then 5% of the donation on the amount above £100, up to a maximum benefit of £2,500.

If the item is commercially available, the benefit for Gift Aid purposes is the market value of the item. However, if it has been increased in value, e.g. signed by a celebrity, or is an item which is not commercially available, the benefit is the amount of the auction bid, so Gift Aid is not available.



If an item's auction price compared to market value means that the benefit rules are not breached, the excess over the market value can be treated as a Gift Aid donation. The donor must know the market price at the time of bidding, so they know they are paying an excess as a donation, and the same item must be available to purchase elsewhere.

For auctions of promises, generally the services will not be commercially available. However, there are exceptions, such as a local business offering their services for free, so the market value of the promise can be easily ascertained.

”  
By taking these rules into account charities can maximise Gift Aid claims for these types of events.

## Charity events

Many charities hold dinners or similar events to raise funds, by charging for attendance and also collecting donations at the event.

If there is a set ticket price or minimum donation to attend then it is not a gift. However, if there is a ticket price, plus a suggested donation, this enables Gift Aid to be claimed on the donation element. It must be clear that the right to attend is available even if no donation is made and no special treatment is given to those making the extra donation.

For example, a charity puts on a concert to raise £2,000, the cost being £5,000. By inviting 100 people, the receipt from each attendee needs to be £70 to achieve their goal. Rather than setting £70 as the ticket price, they charge £60 for attendance with a £10 suggested donation. The £10 would be eligible for Gift Aid but if donations are not received the charity still covers its costs and raises additional funds.

If no ticket price were charged this could put the charity's own funds at risk, which could cause tax and governance issues.

## Sponsored challenge events

Challenge events, such as parachute jumps and treks, are a fun way to raise funds and generate publicity. Usually,

participants pay a registration fee and have a sponsorship target. The charity pays for the cost of the event. Sponsorship payments from individuals not connected with the participant can qualify for Gift Aid.

However, whether payments from family members (spouse/civil partner, children, grandchildren, parents, grandparents and siblings and the spouses/civil partners of these) qualify for Gift Aid depends on the donor benefit rules.

A participant is receiving a benefit equal to the cost of the event, less any payment they personally make towards the cost. Where the value of the benefit exceeds the donor benefit thresholds, Gift Aid will not be available on sponsorship payments from the participant or their family members. If they pay the full cost of the event then the benefit is nil and Gift Aid can be claimed on all donations but not the payment to meet costs.

It is difficult for a charity to know the relationships between participants and those sponsoring them so on the event documentation and sponsorship form the rules as described above should be outlined, together with a definition of who would be connected with participants.

The focus is on the donor benefit rules, but the other Gift Aid requirements, such as receiving a valid declaration, will still need to be met...



By  
[Judith Pederzolli](#)  
[PEM](#)



# Dispelling the myths

It has been said many times that the tax rules in the UK are complex and confusing – Gift Aid is no exception.



Where specific conditions are met, Gift Aid can be claimed on cash donations that are received from individuals who pay UK tax. It is acceptable to give benefits in return for cash payments and as long as the value of the benefits do not exceed HMRC's limits, the 'payments' can still qualify for Gift Aid.

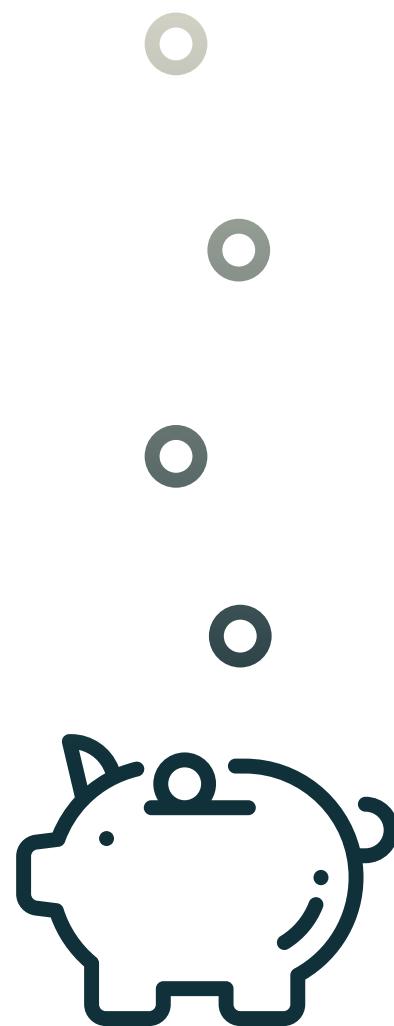
But remember we are dealing with UK tax procedures. Additional rules allow some benefits to be completely ignored and others to be valued in special ways. In practice, charities aren't always aware of all the rules and do not always apply them correctly. In our experience charities frequently over-value their benefits and do not claim as much gift aid as they are entitled to.

The key questions are: Is the charity really providing a benefit? If yes, what is the acceptable Gift Aid value of the benefit.

If there is a connection between the donation and a benefit being received the benefit rules need to be considered before Gift Aid is claimed. In practice, the following rules are frequently overlooked or applied incorrectly.

The following arrangements can be ignored when calculating the value of benefits for gift aid purposes:

1. Acknowledgements of a donor's generosity unless this amounts to the promotion of a business activity.
2. Admission to view charity property where the donation is at least 10% more than the normal admission charge or the admission is for a period of at least one year (at the same time as public admission). HMRC has said that these rules do not apply to virtual and online tours.
3. Literature that describes the work of the charity and which is distributed (in hard copy or digitally) to further objects. This applies even if it has a cover price, is on sale to the public or produced by a third party. Consequently, newsletters, bulletins, annual reports, journals, magazines, members' handbooks and programmes of events normally have no value for Gift Aid purposes.
4. Fundraising events (including dinners that honour donors) are not classified as benefits for Gift Aid purposes. So, events that thank donors, promote a charity's activities and stimulate more donations from others can be ignored.



In our experience charities frequently over-value their benefits and do not claim as much gift aid as they are entitled to.



5. Surprise benefits. If a donor is not aware that they will receive a benefit when they make their donation anything they subsequently receive can be excluded from Gift Aid calculations.

When benefits are provided the following rules are sometimes overlooked when they are valued:

- Benefits that are also sold to the public should be valued according to their normal retail value. A £20 theatre ticket will be valued at £20 if it is given to a donor. If the donor has to pay £10 for the ticket, the benefit is £10. If they pay £20 there is no benefit.
- If the benefit is attendance at a free event that has no fundraising purpose and is not open to the public, the value should only be based on the direct costs associated with the event. There is no requirement to include an element of general overheads. The costs are then divided by the number of people attending the event to confirm the benefit per person. If there are no restrictions on the number of people who could attend an event the costs should be divided by the total number of invited people.
- Discounts – you will need to retain records of all the discounts received by members to be able to establish an average benefit.
- Life memberships – the value of all benefits to be received over the lifetime of the membership forms the value of the benefit. For practical purposes, the benefits received over the first 10 years are taken to be the lifetime benefits. In practice, the benefits for a 12-month period can be confirmed and multiplied by 10.
- Online or digital benefits – this will be a benefit when donors receive something that is not available to the public. The VAT status of digital content needs to be considered and could result in a requirement to charge and account for VAT in other EU countries.
- Priority booking rights - the retail value is not always obvious or available. Consider how much someone would be prepared to pay for the service. If this isn't possible HMRC will normally accept any method of valuation that is fair and reasonable.

In the current climate, charities will undoubtedly be looking to maximise Gift Aid claims wherever they can. They should make sure that fundraising literature clearly confirms the benefits being provided and they should retain evidence to support their position and basis of valuations.



*In the current climate, charities will undoubtedly be looking to maximise Gift Aid claims wherever they can.*



By  
Scott Craig  
Partner, VAT  
[AZETS](#)

Your personal details

Mr ☐

Mrs ☐

First name  
(IN FULL)

Surname

# What's in a name?

There has been an ongoing discussion between HMRC and various charity stakeholders about the collection of additional information on Gift Aid Declaration (GAD) forms.



Until recently, HMRC only requested a first name initial rather than a full first name on gift aid declaration forms. This means that in some instances it has not been possible for the authorities to distinguish between two people with the same surname.

For example, if father and son John and James Smith live at the same address, their GAD forms present the same names and addresses. However, one may be a taxpayer while the other is not; the non-taxpayer would not be eligible for Gift Aid and this would be incorrectly claimed by the charity.

A report commissioned by HMRC to look into issues around Gift Aid was published in September 2016 (<https://www.gov.uk/government/publications/charitable-giving-and-gift-aid-research>), and noted the following conclusions:

- when the report was written, around £1.16bn in Gift Aid was being claimed by charities from the Government each year
- it's estimated that 8% of donations had Gift Aid incorrectly added by ineligible donors, creating a tax gap of up to £180m a year
- it's estimated that 25% of the value of donations did not have Gift Aid added even though the donor was eligible, meaning that charities missed out on £560m of potential income.

To close the tax gap created by the incorrectly claimed Gift Aid, HMRC want charities to request more information on their GAD forms. This would enable HMRC to better match the details on GAD forms with people's tax records, and to confirm if the donor has paid enough tax to cover the amount of Gift Aid claimed by the charity. The additional information considered by HMRC for mandatory

inclusion consisted of full legal names, national insurance numbers and dates of birth.


## Timeline of discussions

In June 2018, the findings of the research were presented to the Charity Tax Forum, and HMRC indicated that guidance would be clarified in respect of forenames on declaration forms rather than merely initials. At the following Charity Tax Forum in October 2018, HMRC confirmed that from April 2019 they would request the donor's first full name, surname and postcode, but that this change would not apply retrospectively. The Forum members raised their concerns, particularly in relation to small charities without enough digital capability, as well as the additional costs associated with the change, fraud implications and GDPR requirements.

A further working group meeting took place in December 2018 to clarify the position and decide a way forward. Attending this meeting were members of the Charity Tax Group, as well as representatives from a number of large UK charities, such as the British Red Cross, the National Trust and Chester Zoo.

## Concerns over new procedures

The charity sector's main concerns were from two perspectives – that of the donor, and of the charity itself. From a donor's perspective, there are fears that legitimate donors might find the additional information requests intrusive and be less



To close the tax gap created by the incorrectly claimed Gift Aid, HMRC want charities to request more information on their GAD forms.

willing to complete the form, meaning that Gift Aid would reduce as a result. They may be put off by the additional time needed to complete the form. They might also be concerned about the use of their personal data if they provided their date of birth, and they might not know their national insurance number off by heart.

From a charity's perspective, additional cost may be incurred to collect the information, such as system changes and staff time. If GAD forms are completed online, the issue over legibility of someone's handwriting does not exist; however, manual forms sometimes cannot be easily read, so requiring only an initial is less problematic. At the meeting, Chester Zoo estimated that at peak times, requesting full names from Gift Aid donors could amount to 14 additional hours of queuing, and would need two more staff and two more payment points to reduce the resulting queue.

Charity groups also argued that requesting a full first name would not fully resolve the problem and reduce the amount of Gift Aid claimed incorrectly. The change may actually mean that charities incur additional cost. Other approaches were suggested, such as better reporting of the contact information and reminding donors to renew their older declaration forms.

Overall, attendees of the working group were opposed to the mandatory changes to GAD forms, but did agree that charities should encourage donors to give as much information as possible. At the February 2019 Charity Tax Forum meeting, HMRC reiterated that GADs should include as much information as possible about the donor. It has been agreed that:

- charities should try to request full names wherever feasible
- authorities are seeking gradual improvement in the completion of first names on GAD forms, rather than a mandatory change from April 2019
- there is therefore no retrospective change occurring
- if charities hold a donor's full name, they are encouraged to give this data to HMRC
- charities are encouraged to document any actions they take to improve the collection of first name information.

The Government website – Chapter 3 on Gift Aid – now states that the declaration should show:

- the donor's full name – as a minimum HMRC will accept the donor's initial and surname
- the donor's full home postal address – as a minimum HMRC will accept the number (or name as appropriate) of their home and their full postcode.

It adds: "If HMRC finds the details on a declaration are not enough to trace the donor, they may ask the charity to get more information to check the claim. If the charity fails to get this information, it's likely that the declaration will be considered invalid."

It's fully understandable that HMRC wants more information about donors, so that they can clearly identify individuals and avoid confusion over names. However, it's hoped that any future changes to GADs decided by HMRC will not have a costly impact on charities going forwards. Any charities claiming Gift Aid should prepare for these changes, with an expectation that more detail may be made mandatory in future.



*To close the tax gap created by the incorrectly claimed Gift Aid, HMRC want charities to request more information on their GAD forms*



By  
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Manager, Charities and  
Not for Profit  
[Price Bailey](#)

# Gift Aid Small Donations Scheme

Short-term help,  
long-term benefit?

GASDS

Your questions  
answered



Goodman Jones



# Short-term help, long-term benefit?

The Gift Aid Small Donations Scheme (GASDS) was introduced in 2013 with the aim of enabling charities and community amateur sports clubs (CASCs) to claim Gift Aid-style top-up payments on small cash donations without the need to obtain individual Gift Aid declarations.

When it was introduced in 2013, one intention of the GASDS was increased funds for the sector, especially for those smaller organisations that rely on cash fundraising, such as through collection tins.

Take up was initially low – with just £6m being paid out in the first year, compared to the anticipated £50m. However, the latest HMRC statistics show that payments made under GASDS were £40m for 2018/19. This is encouraging and suggests that the tide may have turned on take up of the scheme. One likely reason is that the rules on claiming under GASDS were relaxed in 2017.

Despite another intention of the scheme being simplification, GASDS has been criticised for being too complicated, with too many rules and conditions putting organisations off claiming.

A survey carried out by NCVO, CFG, and the Institute of Fundraising in 2014 highlighted difficulties organisations were facing in



understanding the eligibility criteria and claims process, and even being aware of the scheme.

Following on from this, and after much campaigning by the sector, the rules have been relaxed. Some of the rules are still complicated, especially where an organisation has multiple community buildings, but the various rules changes do seem to have helped increase the amount claimed.

As well as the relaxation of the rules, from my experience there is also now increased awareness of the scheme with more charities actively taking the time to understand the process and make a claim.

However, income generation is seemingly an ever-present concern, and the concern is greatly heightened at present due to the COVID-19 pandemic.

The most recent results from the ProBono Economics, CFG and IoF Covid Charity Tracker surveys show a charity sector funding shortfall of over £10bn, as a result of an expected sector-wide drop in income (c. £6bn) combined with increased demand for services (at a cost of c. £4bn).

Organisations are, therefore, keen to maximise income and take full advantage of all available tax reliefs, yet GASDS was designed to provide additional support to those organisations, often community-led organisations, that rely on cash fundraising.

The impact of the pandemic is such that public fundraising events have been severely affected over the last few months, with many either not happening at all or being moved online. This has also coincided with a reduction in the use of cash over the last few months. The sector is, therefore, facing a further loss of funding through no or reduced GASDS claims.

So is there a bright spot on the horizon? Well, possibly thanks to the Gift Aid Emergency Relief campaign, led by a coalition of sector bodies which is proposing various changes to Gift Aid.

The proposal is in two parts. Firstly, the introduction of Gift Aid Emergency Relief for two years from the beginning of the 2020/21 tax year. This would see the Gift Aid reclaimable increase from 25p per £1 to 33.33p per £1. As this is just a change to the rate of gift aid claimable, there is no additional or new process through which claims are made – these are made

by the charity in the same way that it has always claimed.

The second proposal is to make various changes to GASDS:

- To remove the matching rule - scrapping the cap whereby a GASDS claim cannot exceed 10 times the Gift Aid claim;
- To increase the limit of eligible donations from £8k to £10k, on a permanent basis; and
- To increase the amount claimable to 33.33p per £1.

The above would be hugely beneficial to the sector. Any increase in the claim amount will always be welcomed (although any increase must always be balanced alongside cost to the Exchequer and likelihood of abuse of the scheme – the proposal includes details on guarding against fraud).

Longer-term it would be fantastic if the matching rule were to be scrapped permanently, alongside an increase in the donation limit, perhaps also together with simplification of the community building rules (such as removing the rules around donations collected in the same Local Authority area).

Together, these measures would provide long-term additional benefit, whilst reducing the admin burden and encouraging improved take-up of the scheme.



By  
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Partner  
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# GASDS

## Your questions answered

The Gift Aid Small Donations Scheme or GASDS was introduced back in April 2013 to allow eligible charities and Community Amateur Sports Clubs (CASCs) to claim on small cash donations – for example cash collected buckets via street collections, or at religious services.

The rules on claiming under GASDS were relaxed in 2017 and this seems to have had a positive impact on the amount claimed.

HMRC statistics show that payments made under GASDS were £40m for 2018/19, compared to £6m in the first year – but still short of the anticipated £50m per year when the scheme was announced. With scope for more charities to claim, or maximise a claim, under GASDS, it is worth reviewing the rules.

### Can any charity or CASC claim?

To qualify as an eligible charity or CASC, an organisation must:

- Be registered as a charity with HMRC.
- Have claimed Gift Aid:
  - in the same tax year as you want to claim GASDS
  - without getting a penalty in the last two tax years

### What is an eligible donation?

The scheme is available to cash donations (including contactless card payments) of £30 or less for donations on or after 6 April 2019 (£20 or less for donations on or before 5 April 2019).

The donation must have been made by an individual, banked in a UK bank account, and must be used for charitable purposes. No benefit can be received by the donor in return, so membership fees do not qualify as GASDS donations – nor do amounts given through payroll giving.

### How much can be claimed?

25% of the eligible donation up to a total of £2,000 – i.e. on gross donations of £8,000.

In addition, the GASDS claim cannot be more than 10 times the Gift Aid claim for that tax year – so if a charity receives £100 of Gift Aid donations then GASDS can be claimed on up to £1,000 worth of donations (claim of £250).





### Is a donor declaration needed like Gift Aid?

No – the scheme was designed for small cash donations where obtaining a signed gift aid declaration is difficult or impractical (such as street collections). A charity or CASC does not actually have to know the identity of the donor, unlike with Gift Aid.

If Gift Aid is claimed on such a donation, then it does not qualify for GASDS.

### Does the donor claim tax relief?

No, donations made via GASDS are not tax relief for the donor, so higher-rate tax payers cannot claim further relief.

### What if the charity is connected to another charity?

If two charities are connected then all of the connected entities share the £2,000 limit between them. If connected through recent merger, it may be possible to take on the other charity's claims' history.

If charities are connected and share a community building, then an additional claim may be possible under the community building rules.

### Community Buildings

Charities that also have two or more 'community buildings' may be able to claim additional top-up payments per building, subject to meeting certain conditions. A 'community building' qualifies as such if the following conditions are met:

- a charity must carry out

charitable activities in the building for a group of at least ten beneficiaries at the same time.

- the beneficiaries do not need to be the same people each time.
- activities must be group activities.
- beneficiaries must not be charged for access to the part of the community building where the charitable activity takes place.
- the charitable activity must also be open to members of the general public (or a section of the public).
- activities must be run in the building on at least six occasions each tax year.

Buildings used wholly or mainly for residential purposes, for the sale or supply of goods, or for commercial purposes (except at times when the charity is carrying out a charitable activity in the relevant part and the charity has exclusive use of that part) do not qualify.

The charity does not need to own the building. To claim for two or more community buildings, these must be in the same Local Authority area.

### How to claim

Claims are made via the usual Gift Aid claim form. Where amounts are claimed for different community buildings, the donations must be split by building.

### Is there a time limit for claiming?

GASDS claims must be made within two years of the end of the tax year in which the donation was collected.



With scope for more charities to claim, or maximise a claim, under GASDS, it is worth reviewing the rules.



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