

THE CFG GUIDE TO

# GIFT AID 2021

## Your Questions Answered



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# WELCOME

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As we launch this year's **CFG's 2021 Guide to Gift Aid** I want to take a moment to say a huge THANK YOU. Throughout 2020 and for much of 2021 the charity sector has been battling a crisis, the likes of which we had never experienced. We are all too aware that our members and the wider charity sector need as much support as possible; every penny really does count.

The pressures we have been under still continue for many, with smaller workforces, fewer reserves and a volatile and changeable operating environment. Charities large and small, are adapting as more permanent and new ways of working emerge, all whilst they continue to focus on delivering their charitable objects.

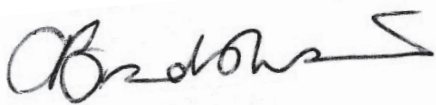
At a time when we continue to do a lot more, often with a lot less, it's imperative that we make the most of schemes available to support charitable work, especially when they boost our income and strengthen our financial resilience.

Last year, I wrote that we wanted to go that extra mile for our members. That hasn't changed and our resolve to support charities and social change organisations is stronger than ever.

During this past year, CFG's partnerships really came into their own and it's because of our partners that we're able to deliver this handy guide. I would like to thank them for all they do.

Thank you for supporting Gift Aid Awareness Day and for doing all you do for others. I hope this Guide to Gift Aid for 2021 will help you maximise every pound that is donated to your charity and maximise the impact you have for those you exist to serve.

With all good wishes



Caron Bradshaw OBE, CEO, CFG





# GIFT AID QUICK FACTS

## What is Gift Aid?

- Gift Aid is a tax relief for charities in the UK to increase donations – at no extra cost to the donor.
- When a charity receives a donation from a UK taxpayer, the organisation is entitled to claim an extra 25% paid on that donation.
- A £10 donation processed with Gift Aid becomes a £12.50 donation.



## What do donors need to do?

- All donors have to do is #TickTheBox on the Gift Aid declaration form and the charity can claim 25p for every £1 given.
- Once a donor has given their permission by filling in the Gift Aid declaration form, there is no need for them to do anything else.

*giftaid it*

Are you eligible to  
give Gift Aid?

Continue to find out... »



# WHO CAN GIVE GIFT AID?

For charities to claim Gift Aid on a donation, the donor must have paid UK income tax or capital gains tax that tax year, at least equal to the tax that the organisation will reclaim on the individual's donations.

Even if you are not currently employed you are eligible to make Gift Aid if, in the tax year in which you make the donation, you are paying tax on any of the following:

- personal or occupational pension
- stocks or shares
- bank or building society savings accounts
- rental income
- overseas or UK investment dividends

## Higher rate tax payers

Higher rate taxpayers are entitled to claim the difference between their rate of tax and the basic rate on the total value of the donation.

Individuals can claim the additional tax relief through their Self-Assessment tax return or by asking HMRC to amend their tax code.

Example for higher rate taxpayer:  
You donate £100 to charity – they claim Gift Aid to make your donation £125.

You pay 40% tax so you can personally claim back £25.00 ( $£125 \times 20\%$ ).

To find out more, turn to page 9.

*giftaid it*





Read on to find  
advice, hints  
and tips...



# 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 future donations and donations made to the charity in the previous four years.

You may also be able to claim Gift Aid on any waived refunds for cancelled charity events.

The COVID-19 pandemic

resulted in many theatres and other visitor attractions such as museums and galleries having to remain closed and cancel a number of performances and events. Whilst refunds were issued for many cancelled performances, numerous customers were happy to donate their ticket cost rather than receive the refund, to help support the industry.

Previously, a refund would need to be issued to the donor and then donated back to the charity to fulfil the requirement of being a "payment of a sum of money" to allow Gift Aid to be claimed.

In April 2020, HMRC introduced a temporary concession to simplify the process, allowing gift aid to be claimed where refunds for cancelled charity events were waived. This concession has now been made permanent and can apply to waived refunds and loan repayments.

Under the new guidance, provided there is a record of a formal and irrevocable waiver of a refund or loan held by the charity, and all other Gift Aid requirements are met, such as a valid Gift Aid declaration being made, HMRC will consider the amount as eligible for gift aid. What is required in terms of a formal waiver will be dependent on the amounts being waived.

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.

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





# 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:

The opportunity to claim Gift Aid on waived refunds and loan repayments. 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.

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. Where your charity has had cancelled events (perhaps as a result of Covid-19), there may now be an opportunity to claim Gift Aid on amounts paid to purchase tickets where the refunds have been waived by the paying individual. You will need to hold a valid Gift Aid declaration for the individual and meet the other requirements for Gift Aid, but you will now be able to claim Gift Aid in the period of the waiver.

2. 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

3. 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.

4. 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

***Tax Return 2020***  
*April 2020 to 5 April 2021*

A close-up photograph of a white tax return form. The form has a green header with the text 'Tax Return 2020' in a bold, sans-serif font, and 'April 2020 to 5 April 2021' in a smaller, italicized font below it. A silver and black pen is lying diagonally across the form, with its tip pointing towards the bottom right. The background is a wooden surface.

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  $\text{£125} \times 20\%$  (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



...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%...



rate tax to HMRC. Similarly, for additional rate taxpayers (45%), income tax relief increases to 25%.

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.

By **Ogonna Agwa**  
Manager  
**Buzzacott**

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](#).



  
**GIFT AID  
AWARENESS  
DAY 7 OCTOBER**



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 an item's auction price compared to market value means that the benefit rules are not breached, the whole amount can be treated as a donation. If the limits are breached then only the excess over the commercial price can be treated as a Gift Aid donation. For the latter case 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.

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



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...

market value of the promise can be easily ascertained.

### 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.



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



By  
**Judith Pederzoli**  
**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.



**AZETS**

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 the donor's 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 sent to donors that describes the work of the charity and which is distributed (in hard copy or digitally) to further the charity's 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.
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.



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

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 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.



By  
Scott Craig  
Partner, VAT  
**AZETS**



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

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. Now charities are required to collate full names for a valid GAD form.

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

- state the donor's full name and home address
- name the charity
- identify the gift or gifts to which the declaration relates (for example, a particular donation or all donations)
- confirm that the identified gift or gifts are to be treated as Gift Aid donations

There is a concession on the address – as a minimum HMRC will accept the number (or name as appropriate) of their home and their full postcode. Therefore, Gift Aid Declarations now have to have the full name and address – this is a change from the previous stance of allowing the first initial.

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, such changes to GADs decided by HMRC may have a costly impact on charities going forwards. Any charities claiming Gift Aid need to be aware of these changes, and the implications. HMRC further comments: 'We would recommend that charities ask donors at regular intervals, possibly every 2 years, to check the personal details held. Any request like this would have to be GDPR compliant.'

It is worth understanding the history of this change. [A report commissioned by HMRC](#) to look into issues around Gift Aid was published in September 2016, 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 mount of



It's fully understandable that HMRC wants more information about donors, so that they can clearly identify individuals and avoid confusion over names



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

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 and charities are encouraged to document any actions they take to improve the collection of first name information.

So matters have moved on from this agreement as full names are now required for valid GADs forms and charities need to assess what this means for them. One saving grace is we are not being asked to collect dates of birth and national insurance numbers, but don't hold your breath...



By  
Alice Marshall-Chalk  
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.



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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.

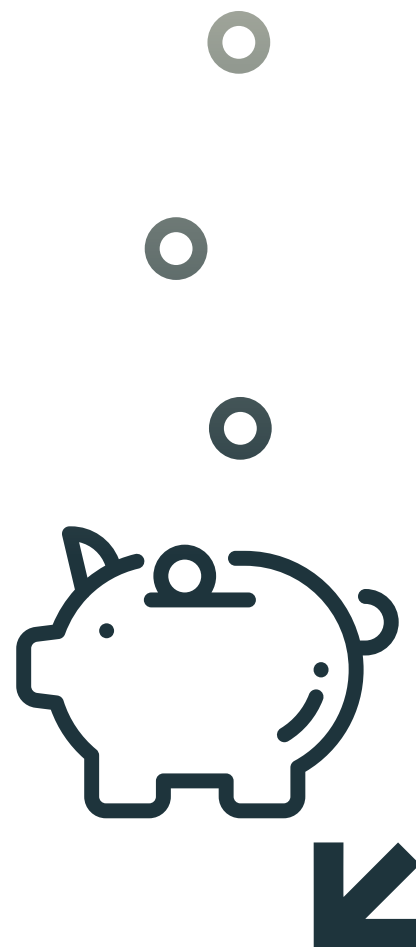
### How to claim

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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# At-a-glance: Tax efficient giving

Buzzacott

# Tax efficient giving

Buzzacott's handy at-a-glance table helps you to find the reliefs that you can take advantage of, the related rules and the steps to take to ensure you are eligible.

Method	Tax Relief	Other points
Gift Aid	<p>The charity can claim an extra 25p for every £1 the donor gives.</p> <p>Higher or additional rate taxpayers can also reclaim up to an extra 25p or 31p per £1 donated.</p>	<ul style="list-style-type: none"> <li>• The donor must pay enough Income Tax and/or Capital Gains Tax (CGT) to cover the Gift Aid claimed on all of their donations</li> <li>• The donor must make a Gift Aid declaration for each charity to which they want to donate. Declarations can include all donations from the last four tax years and can cover future donations</li> <li>• The donor must tell the charity if they haven't paid enough tax to cover the Gift Aid or they may have to pay the difference</li> <li>• Higher and additional rate tax payers can make an additional reclaim of tax either through their Self-Assessment Tax Return (or by asking HMRC to amend their tax code)</li> </ul>
Donating from wages or pension (Payroll Giving)	<p>Donations are made before tax is deducted from the donor's income.</p> <p>The donor can give £1 to charity at a cost of:</p> <ul style="list-style-type: none"> <li>• Basic rate taxpayers: 80p</li> <li>• Higher rate taxpayers: 60p</li> <li>• Additional rate taxpayers: 55p</li> </ul>	<ul style="list-style-type: none"> <li>• Donations can be made straight from wages or pension if the donor's employer, company or personal pension provider runs a Payroll Giving Scheme</li> <li>• Compared with Gift Aid, the charity does not have the administrative burden of collecting declarations and the donor gets automatic tax relief at source. The overall tax saving is the same as with Gift Aid but donors need to be mindful that the same net donations are worth less to the charity. For example, a higher rate taxpayer could either donate £1 under Gift Aid or £1.25 from their payroll – in both cases the charity would receive £1.25 at a net cost of 75p to the donor</li> </ul>
Loaning funds to a charity (Social Investment Tax Relief)	<p>30% of the amount loaned to the charity is deductible from the lender's taxable income in the tax year of the loan.</p>	<ul style="list-style-type: none"> <li>• The loan must be held for at least 3 years</li> <li>• The charity must have fewer than 250 employees and gross assets of no more than £15 million</li> <li>• There are various other qualifying conditions</li> </ul>

Gifts to the nation	<p>30% of the value of the object (20% for companies) is deducted from the donor's tax bill for the year.</p> <p>No Capital Gains Tax (CGT) is payable on the disposal, potentially saving 20% on the gain.</p>	<ul style="list-style-type: none"> <li>• The gift must be a "pre-eminent object" (e.g. a work of art)</li> <li>• An expert panel must agree the value of the object</li> <li>• The donor can indicate which charity they would like to donate the object to, but ultimately the Secretary of State for Culture, Media and Sport will decide based on the advice of the expert panel</li> </ul>
Business deductions	Gifts of certain plant and stock, and sponsorship payments to local charities can be deducted from taxable profits.	
Donating land and buildings property or qualifying shares	<p>The market value of the asset is deductible from the donor's taxable income for the tax year of the gift, a tax saving of 20–45% of the value of the gift.</p> <p>No CGT is payable on the disposal, potentially saving 20% on the gain (28% for residential property).</p> <p>Hence, Gift of shares/land can be more tax efficient than Gift Aid.</p>	<ul style="list-style-type: none"> <li>• The donor can claim the income tax relief on their Self Assessment tax return</li> <li>• If the donor sells assets to a charity at less than market value, the difference between the sale proceeds and market value can be treated as a donation. If the asset is sold at the donor's tax base cost, no CGT will be payable either</li> <li>• Legal documentation of the donation must be kept by the donor for 22 months following the end of the tax year of the donation. The donor can also claim tax relief if they sell the asset directly on behalf of the charity as long as they keep records of the charity's request to do this</li> <li>• As an example, a highest rate taxpayer who bought shares in a listed company 20 years ago for £1 decides to give them to a charity when they are worth £10,000. This potentially saves £4,500 off their current year tax bill, plus £2,000 CGT they would have paid if they had sold the shares. Hence the gift of £10,000 to the charity only costs £3,500 to the donor. The charity can then sell the shares tax free</li> </ul>

Leaving to charity in a will (legacies)	<p>Gifts to charities are deductible from the value of the donor's estate, saving up to 40% Inheritance Tax (IHT).</p> <p>In addition, the rate of IHT on the remaining estate can be reduced from 40% to 36% if 10% or more of the net estate (after the nil rate band and other costs) is left to charity.</p> <p>Increasing charitable gifts may financially benefit the remaining beneficiaries.</p>	<ul style="list-style-type: none"> <li>• Donations in a will can either be cash or assets</li> <li>• The beneficiaries may change the will by completing a deed of variation (within two years of death) in order to donate more to charity. This can be used to make enough donations to achieve the reduced rate of IHT</li> <li>• For example, say an individual has an estate worth £475,000 (after costs) and leaves £10,000 to charity and the rest to his niece. The nil rate band is £325,000. The remainder to the niece would be subject to IHT (40% rate) of £56,000 leaving her with £409,000. If the niece instead made a deed of variation to leave £15,000 to charity, she would pay IHT (36% rate) of £48,600 leaving her with £411,400</li> </ul>
Secondments and corporate volunteering	<p>Where:</p> <ul style="list-style-type: none"> <li>• Employees are transferred temporarily to work for a charity; or</li> <li>• Employees volunteer during work time</li> </ul> <p>The company can deduct the employee's costs as normal business expenses.</p>	<ul style="list-style-type: none"> <li>• The company must continue to remunerate the employee under Pay As You Earn</li> </ul>
Gift Aid Small Donations Scheme	<p>The charity can claim an extra 25p for every £1 on collections of small cash donations without needing declarations from the donors.</p>	<ul style="list-style-type: none"> <li>• Only individual cash or contactless donations of £30 or less are eligible</li> <li>• There is a limit of £8,000 per charity or community building per tax year</li> <li>• The charity must have also claimed regular Gift Aid on other donations in the same tax year</li> <li>• There are various other qualifying conditions</li> </ul>

## About CFG

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Charity Finance Group (CFG) is the charity that inspires a financially confident, dynamic and trustworthy charity sector. We do this by championing best practice, nurturing leadership and influencing policy makers.

With sincere thanks to our contributors and supporters in the production of this guide.

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