



SA-UK Trust Network

Gift Aid

Gift Aid is one of the greatest benefits of fundraising from individuals in the UK. It is also hard to wrap one's head around as it's unique to the UK and those who don't pay British tax struggle to understand the concept.

Simply put, Gift Aid means that when an individual British taxpayer makes a charitable donation and they request that Gift Aid is added, His Majesty's Revenue and Customs (HMRC), Britain's tax authority, adds 25% **on top**. The beneficiary organisation receives this extra 25%. For example, if Ms Smith donates £100, the charity, school, university, faith-based organisation or club will receive £125, providing that Ms Smith is a registered British taxpayer and agrees that her donation may be Gift Aided.

In addition, Gift Aid can be claimed on donations made up to four years earlier. HMRC also pays interest on money that they have held for a donor if there has been a delay in applying for this.

Gift Aid was introduced in the year 2000 in the hope that more individuals would donate to causes of their choice. Such donors **do not receive a tax rebate or benefit financially in anyway themselves**. Their only reward is the 'feel good factor' – knowing that their donation is worth more. (High bracket taxpayers can receive a tax rebate if they pay above 45% in income tax. Such donations may also attract Gift Aid.)

Organisations with either their own UK-registered legal entity, a partnership with a UK charity or membership of an organisation similar to the UK Fund for Charities <https://www.ukfundforcharities.org/> are also entitled to benefit from Gift Aid.

On average, each tax year, over £4 billion in eligible Gift Aid donations are made by UK tax paying individuals. UK-registered charities lose out on just over half a billion pounds of this as it is not Gift Aided! An organisation can only register for Gift Aid if its objects (what it does and why it exists) are charitable. To claim Gift Aid, UK-registered charities must register with HMRC.

It is important to note that retired people living on pensions are receiving an income on which they pay tax, therefore their donations may be Gift Aided.

Gift Aid may only be claimed on cash donations and not on services, volunteer time or on items donated to a charity. Interestingly, charity shops – physical or online – may claim Gift Aid on the proceeds of the sale of such items by treating the goods in the shops as remaining the property of the owner (donor) with the shop acting as an agent or converter of goods to cash, which is then donated to the charity upon the sale of the items.

It is necessary to have a Gift Aid declaration to claim Gift Aid on a donation from an individual UK taxpayer. It is illegal to claim this money without such a document. Verbal permission is acceptable but must be followed up by either a hard copy received in person or by post or as an emailed attachment. **If a posted declaration form sent to a donor is returned by the Post Office or an email version bounces, the Gift Aid may not be claimed.** This can only be claimed if the person is traced, and the form completed and returned to the charity.

Gift Aid Policy and Procedure Guide

UK-registered organisations should develop their own Gift Aid policy and procedure guides and ensure that all staff and volunteers adhere precisely to the requirements therein. Such a document should cover:

- The regularity of Gift Aid submissions to HMRC.
- Who undertakes all required related tasks.
- Clearly state that random changes are **not allowed** to the in-house Gift Aid declaration form.
- Have someone responsible for monitoring HMRC requirements and updating the procedures when necessarily.
- Include an instruction that a line should be drawn through each captured declaration.
- Ensure that all Gift Aid declarations are kept for each tax year and are filed alphabetically by donors' surnames.
- Record immemorial gifts, such as those made at the time of a funeral or in lieu of a wedding, birthday or anniversary gift, may not be Gift Aided.
- Procedures must demonstrate checks and balances to ensure that processing of Gift Aid claims are thorough and legal.
- Include a point that requires all Gift Aid declarations to be in writing – these are not legal if only received verbally. Oral permission to claim Gift Aid should be followed up by a confirmation email requesting the donor to reply and confirm their name and address. Such emails must be carefully stored.
- Married donors or those co-habiting in long term relationships and who have joint bank accounts must have separate Gift Aid declarations which are recorded separately, never jointly.

Via the Gift Aid on Small Donations Scheme (GASDS), HMRC allows the claiming on amounts of up to £30 and with a total per annum of £8 000. This enables charities to claim on up to £8 000 a year on cash or contactless card donations and receive an extra £2 000 pa on these small donations. It is important to note that these amounts are not considered Gift Aid by HMRC but rather as 'funded by public expenditure'. No evidence is required to make this claim – no donor details or declarations. This latitude is granted as HMRC concedes that it is virtually impossible to capture donors' details on small amounts, such as those placed in collection tins or buckets. This money must be claimed within two years.

Small amounts can be raised from any small cash donations in money boxes (encourage staff, volunteers, board members and visitors to donate coins). Several organisations

innovatively provide such boxes or tins and ask people to take these home. Some also have them placed in local shops and pubs. It is vital to monitor these to ensure that they are returned. Small amounts in cash donations can be raised at events by placing a box, tin or envelope on tables or have volunteers walk around with tins or buckets.

Gift Aid on items at charity auctions

Ordinarily, items purchased on a charity auction do not qualify for Gift Aid if they have what HMRC defines as 'no known value'. If, however, the value of the item can be clearly defined, all money **in excess** of this amount may be claimed. For instance, if a rare bottle of wine can be valued by an expert in the field for, say, £250, and the bottle is sold to a UK taxpayer for £400, Gift Aid may be claimed on the £150 (the amount above the known value). This will enable the charity to receive £437.50 in total, with Gift Aid of £37.50. The known value of each auction lot must be clarified ahead of the event and ensure that bidders complete Gift Aid declarations on the day. In some cases, it can be a challenge to arrive at a known value of a lot. Research must be done in such a case. Online sites such as eBay may well have such information on, for instance, the value of an item autographed by a sports star, performer or author. This will satisfy the requirement of known value.

Donations qualify for Gift Aid even if the donor lives abroad and donates in a currency other than GBP. HMRC will accept a Gift Aid declaration if it is valid – if the donor is registered with them.