

How Gift Aid Works

Tax relief for charities

Gift Aid is a simple scheme that enables charities to claim an additional 25p from every £1 donated by UK taxpayers. In addition to this, the Government will provide Transitional Relief of 3p per pound. So while charities will claim 25p from each £1 donated, they will actually receive 28p until the 2011 tax year.

Charities of all sizes are encouraged to make the most of Gift Aid to increase income to their organisation and to apply the Gift Aid logo to their fundraising materials.

Donations that qualify for Gift Aid

Gift Aid can only be claimed on gifts of money from individuals, sole traders or partnerships, in any of the following forms:

- cash
- cheque
- direct debit
- credit or debit card
- postal order
- standing order or telegraphic transfer

Gifts made by cheque only count as received once the cheque has cleared. Your charity can accept gifts of money made in sterling or any foreign currency.

Payments that don't qualify for Gift Aid

These include:

- donations of money from a company
- donations in the form of a loan waiver or debt conversion - for example an individual may lend money to your charity and then, at a later date, agree that it does not have to be paid back - this is not a gift of money, it is the waiver of a loan
- gifts made on behalf of other people - for example a membership subscription paid on behalf of somebody else - this is a gift of membership from the payer to the member, not a gift made to the charity
- gifts that come with a condition about repayment
- gifts with enforceable conditions about how your charity should use the money - for example on condition that it buys goods or services from the donor
- payments received in return for goods or services - for example payment for admission to a concert, payment for a raffle ticket, an entrance fee for an adventure challenge event etc - these are not gifts
- a 'minimum donation' where there is no choice about payment - this is simply a fee for goods or services and is not a gift
- gifts made using 'charity vouchers' or 'charity cheques' provided by another charity

Getting started

Contact HM Revenue and Customs (HMRC) on 0845 302 0203 to register for tax purposes and request a reference number.

Once you have registered with HMRC you need start collecting Gift Aid declarations from your donors - this doesn't mean lots of information, just a full name, address (including postcode), details of the donations covered by the declaration and confirmation that the donor is a UK taxpayer.

One declaration can apply to future donations and can be backdated for up to six years, enabling you to reclaim tax on donations you have already received and in the future. Donations can be made orally, over the internet, by telephone or face-to-face. All you need to do is keep details of the declaration.

Promoting Gift Aid to your charity and donors

Advice on how to promote Gift Aid to your donors can be found by clicking on the link below:

Institute of Fundraising microsite - <http://www.tax-effective-giving.org.uk/>

Gift Aid declaration form

HMRC doesn't require you to use an official Gift Aid declaration form, but does have a model Gift Aid declaration form that you can use and adapt to suit your needs.

Your charity may want to add additional information such as data protection disclaimers or bank mandate details.

You can download the model Gift Aid declaration form by clicking on the following link:

http://www.hmrc.gov.uk/charities/gift_aid/declarations.htm

Gift Aid record keeping and audit requirements

Your charity must keep an auditable record of:

- all Gift Aid declarations, together with confirmation that you have advised the donor that they must pay at least as much UK tax (for the tax year that they donate) as the amount your charity will reclaim on the donation
- any cancellations of Gift Aid declarations
- any benefits you provide to donors

Your charity must keep records of donations received, the Gift Aid declarations relating to those donations - including any that are cancelled - and records of any benefits you have given in return for donations.

You must be able to show that your Gift Aid repayment claims are accurate and that all the conditions of Gift Aid are met - for example, that donations are for gifts of money and that the value of any benefits given in return are within certain limits. The records must also provide an audit trail linking each donation to an identifiable donor who has given a valid Gift Aid declaration.

If you don't keep adequate records you may be required to pay back any tax reclaimed, with interest. You may also be liable to a penalty under the rules of Self Assessment.

Contacting the HMRC Charities Helpline

For more help and advice you can telephone the Charities Helpline on 0845 302 0203 (open from 8.00am to 5.00pm, Monday to Friday).

Useful links

HM Revenue and Customs - http://www.hmrc.gov.uk/charities/gift_aid/basics.htm

Directgov -

http://www.direct.gov.uk/en/MoneyTaxAndBenefits/ManagingMoney/GivingMoneyToCharity/DG_10015097