

INTRODUCTION

These notes have been compiled to introduce readers to the new rules for Gift Aid introduced in April 2000. They do not claim to be comprehensive nor authoritative and the reader must refer to Inland Revenue documents such as Getting Britain Giving or the definitive guidance for charities published in summer 2000.

Scope Of Gift Aid

The scheme applies to any donation, large or small, regular or one off.

The donations must be made to a charity.

Gifts due after 5th April 2000 under a Deed of Covenant are treated as Gift Aid.

The donor must pay income tax and/or capital gains tax equal to the tax deducted from their donations.

Donors may claim higher rate tax relief for their donations against either income or capital gains tax.

Operation

The donor is required to give a Declaration to the charity.

The Declaration may be given in writing, orally or electronically.

The charity must have a tight audit trail linking the donor, the payment and the Declaration.

The Declaration

Charities may design their own form, which must contain a number of items including the donor's name and address including the post code. A sample of a Declaration is shown overleaf. The charity should satisfy itself that a Declaration contains all the information required by the Inland Revenue – this sample may not do so. Your form of Declaration should also satisfy the requirements of the Data Protection and Charity laws.

Take care to ensure that a cheque drawn on a joint account has been signed by the tax payer.

Written Record Of The Declaration

If the declaration is given orally the charity must send the donor a written record of the declaration.

Record Keeping

The new Gift Aid scheme may be seen as a further step in the Self-Assessment approach to taxation. The ease of administration provided by the scheme is likely to be balanced by an increase in the number of audits and inspections carried out by the Inland Revenue. It is essential the charity maintains tight procedures to identify the tax payer and showing the link to a declaration and donations received.

If the audit trail is deemed to be insufficient the charity may be required to repay any tax that has been reclaimed. Interest and a possible penalty may also be demanded. The charity may require reimbursement from its Officers in this case.

Donor Benefit Restriction

Modest benefits given by the charity in return for donations will not stop the donation qualifying as Gift Aid if their value does not exceed certain limits. The charity should read the Inland Revenue notes for a definition of this condition. In many cases subscriptions to charities are unlikely to qualify as gift Aid because of the benefit rules.

OTHER SCHEMES

Payroll Giving

From 6th April 2000 there is no upper limit on the amount that an individual can give under this scheme.

Between 6th April 2000 and 5th April 2003 the Government will pay a supplement of 10%.

Gifts Of Shares And Securities

Individuals and companies will be able to get tax relief for gifts of many shares, unit trusts units and securities to charity.

This applies whether the gift is free or for payment below market value.

Charities do not reclaim tax for this benefit.

This scheme could provide a donor with an opportunity to clear out small holdings from his/her portfolio.

The charity should ensure that their constitution (or other controlling document) allows them to accept and / or hold such investments.

Small Trading

Trading has been a difficult area for many charities under both taxation and charity law. Certain small trading and fund-raising activities are now exempt from tax and allowed by charity law if permitted by the charity's governing document.

There is an annual turnover limit of £5,000. Higher turnovers impose a more complicated exemption limit – see Inland Revenue publications.

VAT

1: Inland Revenue will assume responsibility for VAT exemptions for charities.

2: Charity advertising is further exempt.

3: Fund raising events that can qualify for VAT relief are controlled to prevent unfair competition with commercial organisations. A relaxation has been made to the number of events based upon the gross weekly income generated.

A suggested declaration

(Charity name)

(Charity address and charity number)

GIFT AID DECLARATION

Name:

Address:

Post code:

I am a UK taxpayer and I would like my donation of
£.....

and any further donations that I may wish to make to

(Charity name)
(registered charity number)

to be tax effective under the new Gift Aid scheme until I notify you otherwise.

Signed:

Date:

Note:

For the charity to benefit from the Gift Aid scheme you must be paying an amount of income or capital gains tax at least equal to the tax we reclaim – currently 28p for each pound given. If you pay tax at the higher rate you can claim further tax relief in your Self-Assessment tax return. Inland Revenue leaflet IR 65 'Gift Aid' provides more information.

Further information:

Inland Revenue:
www.inlandrevenue.gov.uk/charityrvw

Customs and Excise:
www.hmce.gov.uk