



Gift Aid

Ross Palmer

13 November 2024



Agenda

1. What is Gift Aid?
2. What counts as a donation?
3. Gift Aid declarations
4. Donor benefit rules
5. Special situations
6. Record keeping



Gift Aid – two types

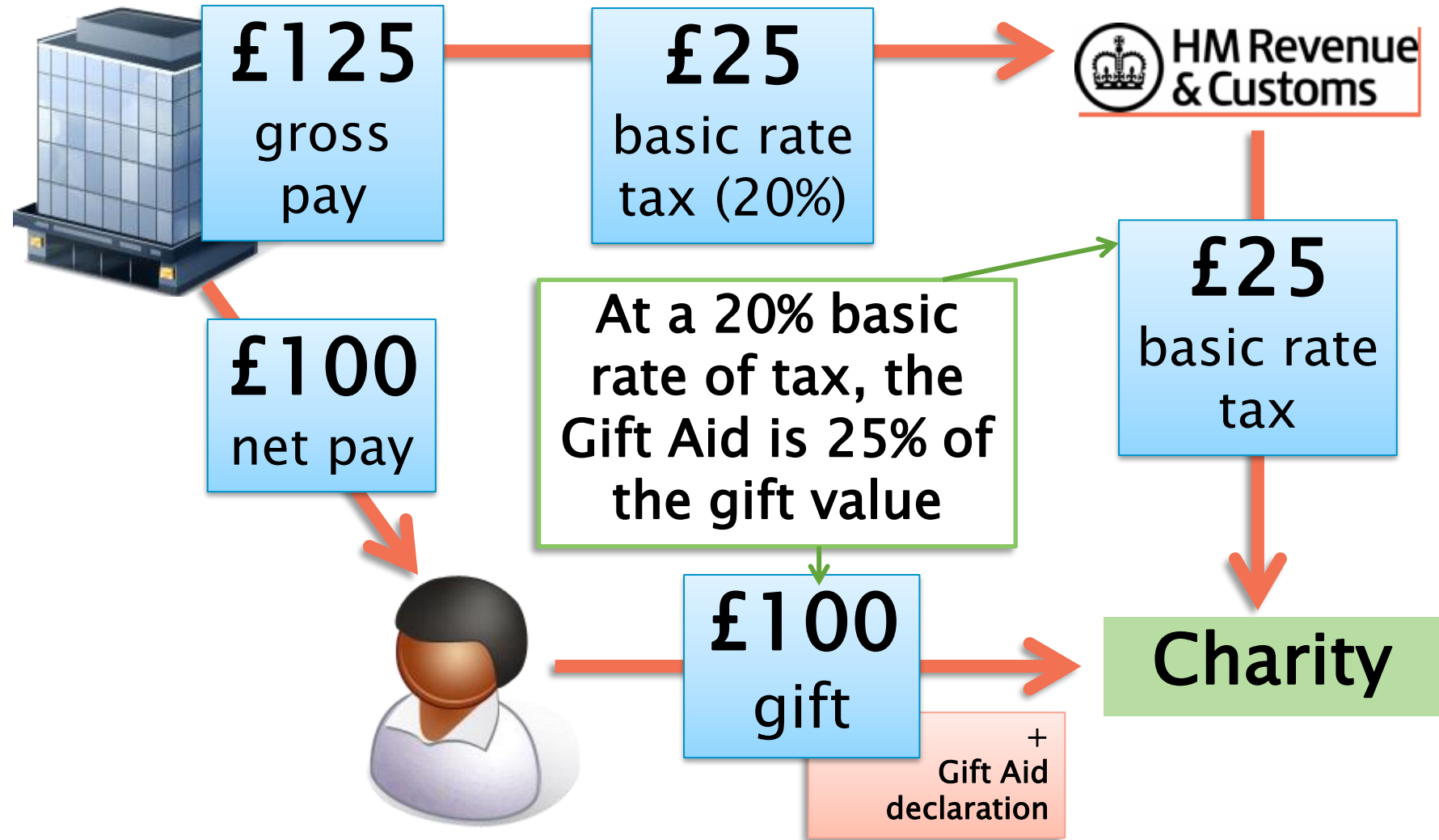
Type	Charity can claim Gift Aid?	Applies to	Examples
Corporate Gift Aid	No	UK corporation taxpayers	Companies Associations Societies
Individual Gift Aid	Yes, if conditions met	UK income & capital gains taxpayers	Individuals Sole traders Partnerships LLPs Private trusts



Corporate Gift Aid

1. **No Gift Aid to be reclaimed by charity**
2. Works purely as a tax relief for company
3. Company deducts Gift Aid from profit to reduce tax charge
4. No need for a declaration
5. But other Gift Aid conditions apply (monetary gift, donor benefit rules, anti-avoidance rules)

Individual Gift Aid – how it works





When can I claim Gift Aid?

1. Only claimable on donations
2. Gift Aid Declaration in place – donor must have paid sufficient tax
3. Any benefits provided in return for donation must not exceed limits



1. What counts as a donation

- A ‘payment of a sum of money’ (including foreign currency) – could be cash, cleared cheques, bank transfer, DD and card payments
 - ✗ NOT – In kind donations
 - ✗ NOT – Donations already receiving tax relief (e.g. charity vouchers and payroll giving)
- Must be an actual **donation**. Following do not qualify:
 - ✗ Purchases of goods or services (e.g. event entry, food and drink, merchandise, advertising, gifted memberships)
 - ✗ Raffle or lottery tickets



1. Gift Aid – waivers and refunds

- Historically – donation had to be made at same time as cash or a transfer made
- Now – HMRC allows donors to waive refunds and it be eligible for Gift Aid. Saves having to give refund and then donate back
- HMRC’s detailed guidance has been updated to reflect this
- The charity must hold a record of the waiver
 - Form of record may vary depending on arrangement being waived
 - Large loan vs ticket refund from event



2. Written Gift Aid declaration

- Name of charity
- Donor name, home address & postcode
- Identifies gifts to be Gift Aided:
 - Current
 - Previous
 - All future donations (enduring)
- Request to treat as Gift Aid
- Date, if enduring declaration
- Statement that sufficient tax has been paid



2. HMRC model gift aid declaration

Applicable from 6 April 2016 for new declarations:

Boost your donation by 25p of Gift Aid for every £1 you donation. Gift Aid is reclaimed by the charity from the tax you pay for the current tax year. Your address is needed to identify you as a current UK taxpayer

I want to Gift Aid my donation of £..... to..... (Name of charity). *I am a UK taxpayer and understand that if I pay less income tax and/or Capital Gains tax in a tax year than the amount of Gift Aid claimed on all of my donations in that tax year it is my responsibility to pay any difference.*

Title/First Name/Surname/Home Address/Postcode/Date



2. Gift Aid declarations

- There is additional recommended information on the model – strictly this is optional but encouraged
- How long are enduring declarations valid for?
 - In principal – forever!
 - Wording must have been valid at the time – even if that wording isn't valid now
 - Do retain up to date declarations if available
- Verbal (oral) declarations are permitted – but additional requirements for these

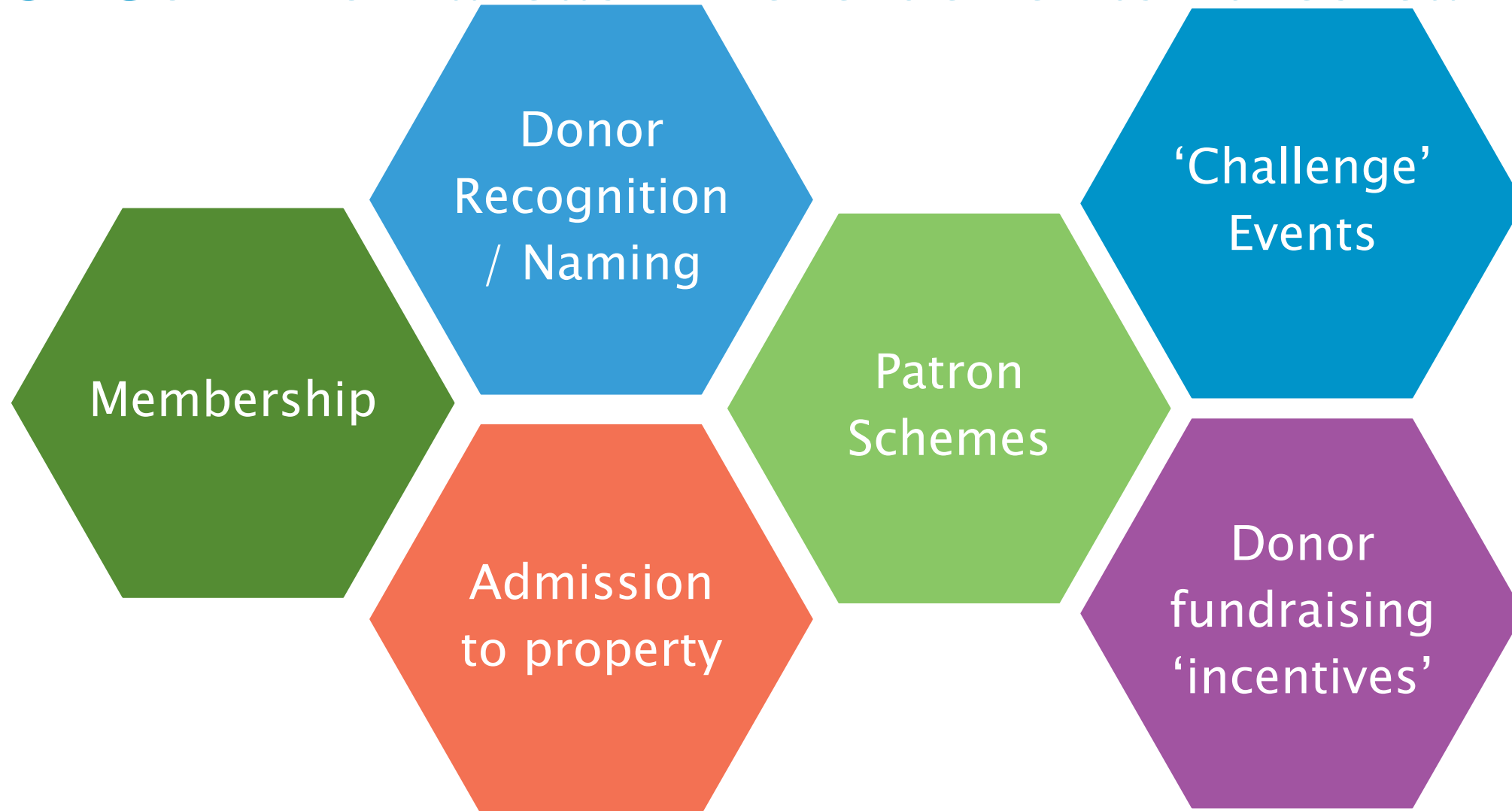


3. Donor benefits

- If benefits provided, Gift Aid may be blocked
- Any item or service provided as a result of making the donation
- Covers benefits provided to the donor or a **connected person**
 - By the charity
 - Or a third party (unless unconnected third party provides benefits unsolicited by either charity or donor)



3. Common areas where benefits rules can apply





3. Gift Aid benefit rules

Donation	Benefit cap
Up to £100	25% of the donation
Over £100	£25 + 5% of donation over £100
Overall annual limit	£2,500

Example

- Donation of £250
- Limit = $£25 + (250 - 100) \times 0.05 = £32.50$

3. Connected persons

A person is connected to participant if they are:

- The participant
- Wife, husband, civil partner
- Brother or sister
- Parent, grandparent
- Child, grandchild
- Married to a connected person
- Company under control of above
- Business partners





3. Disregarded benefits for Gift Aid

These benefits that can be ignored for Gift Aid purposes:

- Charity literature e.g. annual reports, newsletters
- Acknowledgements. But not adverts for donor's business. Naming a building is OK but not business name
- Right of admission to charity property – subject to special rules
- Priority booking rights – if not exchangeable for cash
- Stickers, pins, badges etc – must be of negligible value

BUT – most of these are NOT ignored for VAT purposes



3. Valuing benefits

- Benefit is valued based on the value to the **donor** – not the cost to the charity
- If benefit commercially available (from charity or elsewhere) then use that value.
- Special rules in place for:
 - Non-ticketed events
 - Life membership
 - Discounts

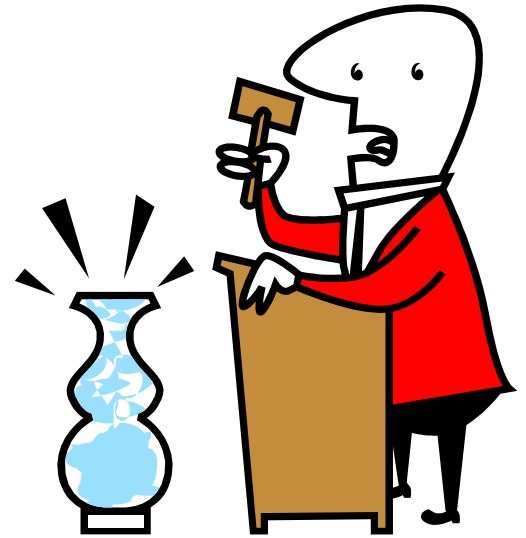
Example – Membership scheme

Benefit	Value	Value for Gift Aid
Cuddly toy	Cost to charity – £1 Sale price in shop – £4	
Quarterly magazine	Cover price – £2	
Discount for charity café	Total discounts given: £5,000 Membership = 1,000 Used discount = 500	
Discounted admission to charity property	Total discounts given: £10,000 Membership = 1,000 (all used discount)	

Split payments

- Possible solution – if limits are exceeded
- Donor specifies £X to pay for benefit and £Y as donation before or at time of donation
- Works if market value of £X can be established
- Gift Aid then available on £Y donation
- Keep written evidence of split e.g. letter from donor

Do consider VAT consequences!





Example – patron scheme

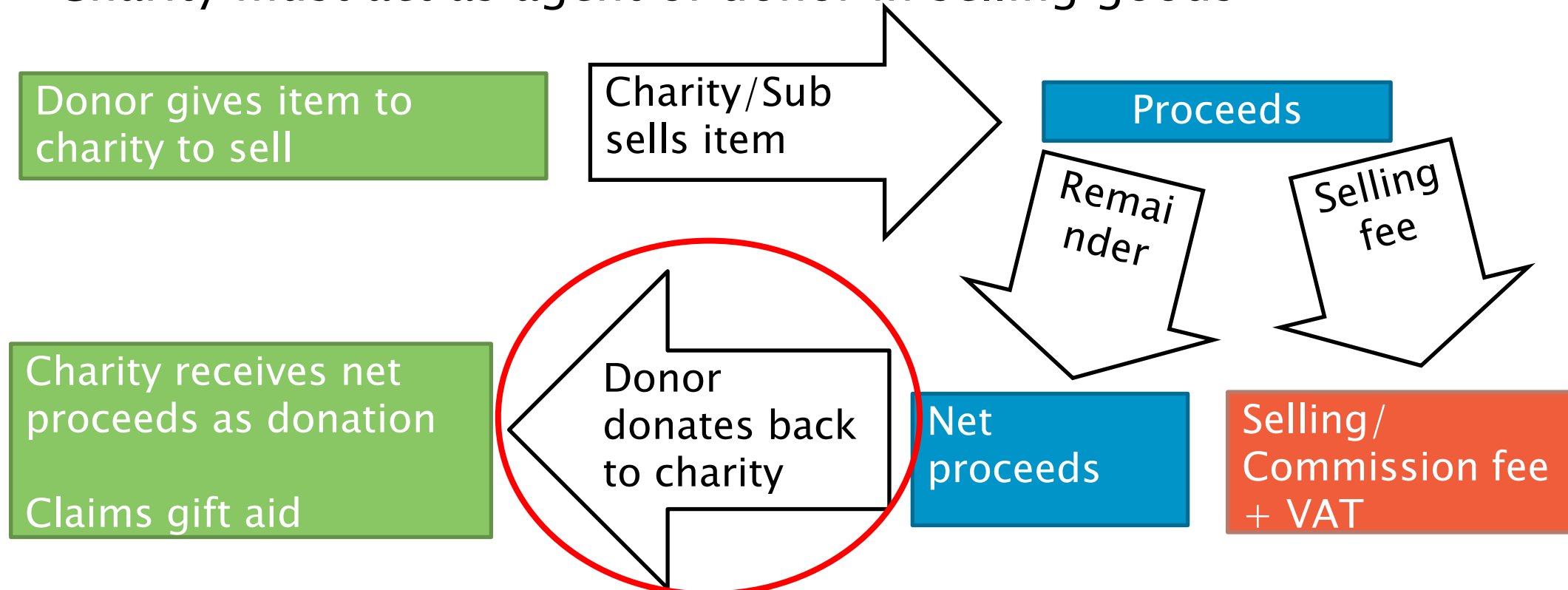
- Value of benefits provided – £100
- Current donation required – £500

What are the options for Gift Aid:

- 1) Don't claim! Benefits are above £45 limit
- 2) Reduce benefits provided to below £45
- 3) Increase donation required to £1,600
- 4) Split payment – ‘Buy’ benefit for £100. Rest is donation – claim Gift Aid on £400. **Must be clear to donor that donation is optional**

Gift Aid – sale of donated goods

- Referred to as Retail Gift Aid Scheme ('RGAS')
- Charity must act as agent of donor in selling goods



Lots of additional compliance around scheme!

Gift Aid Small Donations Scheme

- No need for declarations
- No benefits except lapel stickers and the like
- Up to £8,000 of small donations – claim at 25% so max claim is £2,000
- Can potentially claim more if you have ‘community buildings’
- Small donation is up to £30 each – in cash (coins, notes, not cheques) or contactless debit/credit card in person





Record-keeping

Need to demonstrate clear audit trail



```
graph LR; A[Receipt] --> B[Donor]; B --> C[Valid Declaration]; C --> D[Paper or computer records];
```

Receipt

Donor

Valid
Declaration

Paper or
computer
records




Problem areas

- Connected persons rules for benefits
- CAF vouchers or similar
- Donations via third party sites such as [justgiving.com](https://www.justgiving.com) and similar
- Company donations
- Consolidating donations under one person
- HMRC guidance changes

Contact details

Ross.Palmer@sayervincent.co.uk

www.sayervincent.co.uk

 [ross-palmer-sv](https://www.linkedin.com/company/ross-palmer-sv)

