

Gift Aid – Administrative Changes and Proposals

March 2008

Introduction

1. This document supplements “**Consultation on Gift Aid: the Government’s response**” issued by HM Treasury today. You can find that response at <http://www.hm-treasury.gov.uk>.
2. Informed by the Gift Aid consultation with the sector, HMRC today announces a number of changes to various processes that underpin the Gift Aid scheme. These changes aim to make it easier for charitable bodies and Community Amateur Sports Clubs (CASCs) to understand and meet the requirements of the scheme and in turn to increase the take-up of Gift Aid.
3. HMRC also proposes further discussion on several specific areas, to explore scope for reducing administrative burdens and improving guidance. HMRC will meet with sector representatives shortly after Budget day to open these discussions.
4. Treasury Ministers have announced a transitional rate of Gift Aid, made up of 20% basic rate and a 2% transitional relief, to run for three years from 2008/09. This relief is detailed in Budget Note 6450 which can be found with other Budget documents at <http://www.hm-treasury.gov.uk>.
5. Details of the changes and proposals are shown below.

Areas for change/discussion

Gift Aid- Audit Processes

Extrapolation:

6. From today we will accept that where charities and CASCs can repair errors identified in a population within an audit sample, we will extrapolate that repaired error rate across the population (rather than the error rate found in the first instance).
7. Populations will be identified as at present in the course of an audit and guidance is available on the HMRC website.
8. ‘Repaired’ means that the charity finds the missing declaration, or obtains a new (or fully completed) declaration from the taxpayer.

De minimis:

- 9. From today HMRC will operate a de minimis error level of 4% below which charities who claim a total of less than £2,500 in Gift Aid repayments in each tax year (for charitable trusts) or period of account (for charitable companies and CASCs) will not be penalised for errors in their Gift Aid claims.
- 10. The de-minimis error level will apply to the repaired level of errors referred to in the previous section.
- 11. Where either the amount or level of errors is small we will also introduce a 'yellow card' warning system to apply to earlier years rather than make recoveries for those years (see table below). 'Yellow cards' will be accompanied by advice on remedial action as to how the charity/CASC should prevent errors in its record keeping in the future. This will support charities and CASCs in understanding Gift Aid and rectifying errors for future claims.
- 12. If the remedial action has not been taken the next time HMRC examine the claims of the charity/CASC we will go back and recover any earlier years that are still in date.
- 13. For larger errors HMRC will continue to seek recovery as at present.
- 14. The de minimis limit and 'yellow card' system will apply to all charities and CASCs as follows:

Repaired error level	Amount at stake	Action at Audit 1
Less than 4%	Less than £100	No recovery in year of audit or earlier years. No card issued.
Less than 4%	Less than £500	Recovery in year but not earlier years. No card issued.
Less than 4%	More than £500	Recovery in year but not earlier years – 'yellow card' issued.
More than 4%	Less than £500	Recovery in year but not earlier years – 'yellow card' issued.
More than 4%	More than £500	Recovery in year and earlier years.

Self-Certification:

- 15. Larger charities often employ external auditors to check that their accounts and Gift Aid claims are in order. They also have to go through audit by HMRC Charities auditors.
- 16. Over the next few months we will be exploring with the sector scope for charities to self-certify Gift Aid claims where an external auditor is employed.

Gift Aid - 'aggregated' claims

17. From today an adjustment is being made to the Gift Aid claim process to allow smaller donations of no more than £10 to be aggregated up to a total of £500, within claims.
18. This will mean that charities who have collected donations of money for which they have also received a Gift Aid Declaration (GAD), have the option of making a claim on form R68 without having to list all the individual donor names on the form.
19. The underlying GADs must be kept for individual donations and this procedure will only apply to charities where collections have been made with a supporting GAD. This procedure will not apply to street collections where there is no GAD, to the existing arrangements for sponsorship events, or to any other type of donation such as an additional entry fee to a tourist attraction or subscriptions.
20. HMRC will also work with the sector to explore whether £10 is an appropriate level of small donations so that this change will be as helpful to them as possible.

Gift Aid – Record-keeping proposals

21. Currently charities and CASCs, like businesses, need to keep GADs for at least 6 years. They need to keep enduring GADs indefinitely (an enduring GAD is one which applies to all future donations by the individual to the charity concerned).
22. HMRC proposes working with the sector to develop a framework for alternative records systems with a view to enabling the destruction of paper records for enduring declarations after 6 years.

Gift Aid – Guidance improvement

23. The Gift Aid guidance on HMRC's website will be improved. A five month programme of guidance development will focus on understanding customer needs and will include user testing with the sector before publication. HMRC will also tailor its free 'news feed' facility (which charities can subscribe to anonymously) to receive regular updates on HMRC charity related news and changes to guidance.
24. HMRC will also be developing a new Toolkit of guidance, templates and other material available for distribution to new and existing charities and CASCs. The aim is to provide clear and accessible guidance on how to get started with Gift Aid and how to use Gift Aid in different fundraising situations. It will also include marketing materials to help charities promote the scheme to donors. In this way it is hoped that more charities and CASCs will be encouraged to take up Gift Aid to boost their income.

25. This toolkit will be developed through discussions with the sector. HMRC will meet sector representatives shortly after Budget day to open these discussions and establish the best way to identify the views and needs of customers.
26. The Government has also announced the launch of a Gift Aid web information service via www.direct.gov.uk/giftaid. This will form the basis of a range of information giving access to key sources of guidance and support on Gift Aid for donors and charities. It will be developed in partnership with the sector over coming months in order to ensure it fully meets user needs.

Guidance on these various changes will be available in due course but if you have further queries in the meantime, contact the HMRC Charities helpline on 0845 3020203.

Gift Aid - Other proposals

27. Although not part of the HMRC work programme, the Government has also announced;
- an extension of the Tax-effective Giving Initiative, offering training and support on tax-effective giving
 - the development of a dedicated Small Charities training Programme, and
 - the development of a Gift Aid mentoring forum for small charities and voluntary groups.
28. Further information on these programmes can be found at <http://www.institute-of-fundraising.org.uk> and at www.tax-effective-giving.org.uk (helpline number 0845 458 4586).