

# Key Barriers to the Adoption of Gift Aid

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Research Study conducted for HMRC and CAF

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# Disclaimer

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The views in this report are the authors' own and do not necessarily reflect those of HMRC or CAF.



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# Summary of findings

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## Research Background

The introduction of Gift Aid as part of the Finance Act of 1990 allowed charities to reclaim basic rate tax relief on donations. During the last seventeen years, this has had a real impact on the revenues of the Third Sector; for example, in 2006/07, £2.94bn was donated to charities, which generated £830m in tax repayments<sup>1</sup>.

Despite this, there is felt to be scope for improvement. In 2004/05 HM Revenue and Customs (HMRC) estimated that around 59,000 charities reclaimed tax relief from Gift Aid donations. The Charities Aid Foundation (CAF) suggested it is unlikely that this represents any more than around half of all charities involved in fundraising<sup>2</sup>. Furthermore, in 2005/06, only around a third of donors used Gift Aid<sup>3</sup> – a figure similar to that of the previous year.

To investigate this further, HM Treasury (HMT) launched a consultation on Gift Aid to determine how it might better meet the needs of those in the Third Sector. To complement this consultation process, HMRC and CAF commissioned an in-depth piece of qualitative research to fully explore the views of those in the Third Sector, and this report presents the findings from this research.

## Perception of Gift Aid

Regardless of the regularity with which they used Gift Aid, *all* charities viewed Gift Aid positively. Not only was Gift Aid seen as an extra source of income which the charities would not otherwise have access to but many charities relied on Gift Aid as an essential part of their funding.

Beyond this, however, there was a low level of understanding as to how Gift Aid actually works in practice:

- Most charities had only learnt the rules of Gift Aid that applied to their specific fundraising strategy. This meant that charities' understanding of Gift Aid was often compartmentalised, and designed to suit their immediate needs.
- Medium and large charities were often more informed on the principles of how Gift Aid works. This reflected the fact that they were more likely to have a dedicated member of staff that dealt with administration in the charity.
- Smaller charities' whose fundraising was often limited to a small number of regular donors, often relied on Gift Aid to supplement their income.
- Large charities were less reliant on Gift Aid overall but often understood it the best. Gift Aid was regularly built into their business model as a matter of course.

Levels of awareness of Gift Aid were generally considered to be low within the sector and among the general public. There was little consensus on how to raise awareness and different methods were employed by research participants:

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<sup>1</sup> <http://www.hmrc.gov.uk/stats/charities/table10-3.pdf>

<sup>2</sup> <http://www.cafonline.org/pdf/GiftAidResearch2006.pdf>

<sup>3</sup> <http://www.cafonline.org/pdf/UK%20Giving2005-06.pdf>

- Donor awareness of Gift Aid was considered key in the claims process as charities often would not claim Gift Aid unless donors signed a declaration form which they perceived was mandatory.
- Very small charities often had personal links with their donors and, therefore, were able to impart knowledge of the scheme to them.
- The more regular claimers of Gift Aid generally designed communications materials to raise awareness of Gift Aid among donors.
- To help increase levels of awareness and understanding, some charities viewed the Gift Aid audit as being a useful opportunity through which they could clarify any questions that they might have.
- Intermediaries also played a role in increasing awareness, with some running communications campaigns to help increase understanding.

Finally, when thinking about the impact of Gift Aid on the charitable sector as a whole, many found it hard to quantify as they had limited communications with other charities about their experiences. When prompted, charities tended to make assumptions about the effect of Gift Aid on the sector based on the impact it had had on their own charity. For example, it was considered that smaller charities had benefited most from Gift Aid and, as a result, were able to undertake more and varied activities than previously.

### **Experience of Gift Aid**

The pre-registration experience of the Gift Aid journey was often considered the biggest practical barrier to Gift Aid adoption:

- Finding the information needed in order to submit a Gift Aid claim was often considered the hardest part of the Gift Aid journey. Charities often found that the relevant information was hard to find, and used information from numerous different sources;
- The information itself was often felt to be hard to understand. This initial hurdle served to dissuade some charities from claiming Gift Aid as either they did not know how to or were concerned about the time it would take for them to ensure the appropriate processes are in place.
- Small and Medium charities often cited the registration form as a barrier to claiming Gift Aid. They found that due to their internal structuring, they could not always be sure which member of staff would be the named administrator of Gift Aid, as staff may change on a regular basis.

Once charities had registered to claim Gift Aid, the manner in which charities experience Gift Aid was often related to their fundraising strategy:

- Membership subscriptions and regular donors were commonly felt to be the easiest method of fundraising to claim Gift Aid on, whilst ad hoc events and sponsorship events were seen as being more complex;
- Irregular users of Gift Aid were less likely to build Gift Aid declarations into future events due to their lack of experience in processing claims;

- The ease with which charities processed Gift Aid claims was related to the extent to which they were able to get their donors engaged with the scheme. Small charities often knew their support base personally, so this was less of an issue. However, larger charities with a high public profile often received anonymous donations which made it difficult for them to trace donors to make a declaration;
- Developing best practice for administering Gift Aid was seen as key to lessening the burden. While most charities did this alone, some tried to learn from each other and shared knowledge between themselves as a means of improving their processes.
- In spite of the barriers highlighted, few charities felt that the cost of administration outweighed the extra revenue they received from Gift Aid. For many, processing Gift Aid claims was just one of many administrative procedures that they had to undergo and, therefore, the administrative burden was not seen as too much of an issue.

There was a strong sense amongst many charities that there were several 'grey areas' in the Gift Aid rules that acted as a barrier to claiming. Interpretation of the rules varied amongst charities meaning that different charities were claiming on different types of donations.

Finally, many had heard of possible changes to how Gift Aid may be administered in the future. Several participants spontaneously raised ideas they had heard such as reducing the burden of proof when submitting a claim, or severing Gift Aid from the basic rate of income tax. When these suggestions were raised there was little support for such changes.

### **Attitudes toward HMRC**

There was a high level of understanding that HMRC was the Government Department that dealt with Gift Aid, and a few participants referred to a specialist HMRC 'Charities Division'<sup>4</sup>. The extent to which charities contacted HMRC was generally driven by their size:

- Very small charities tended to employ experienced volunteers. Because of their expertise, they had few concerns about contacting HMRC as they knew they would be able to understand the advice given.
- Small and medium sized charities saw administration as being less of a priority when set against their other activities, such as fundraising. Consequently, their lack of experience in dealing with financial matters meant that some were reticent about contacting HMRC as they had little experience of the help and advice that the Department could offer them.
- Large charities often had dedicated administrative teams in place to deal with Gift Aid claims and, therefore, were able to build up a good relationship with the Department.
- Intermediaries regularly had more contact with the Department than charities. Intermediaries were satisfied with the service received and often stated that they had built up a good rapport with certain members of staff.

Many charities used the helpline to contact HMRC. This service was well received with participants describing the staff as knowledgeable, friendly and positive.

Alongside this, the HMRC website was often the first port of call for charities to search for information about Gift Aid. However, charities often found it hard to find the information they

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<sup>4</sup> Although there is no single entity at HMRC called the 'Charities Division', a few participants regularly referred to the 'Charities Division' when talking about their interaction with the Department.

required and, furthermore, believed that the language used was full of jargon. Consequently, many charities turned to intermediaries to translate the information cited on the HMRC website.

There was little to suggest that charities' perception of HMRC influenced their perception or uptake of Gift Aid.

### **Improving the Gift Aid experience**

Charities also came up with a number of spontaneous suggestions as to how the Gift Aid system might be improved in the future. Many suggested that Gift Aid should be promoted on a large scale. It was believed that this would help build donor awareness of Gift Aid and, furthermore, may make people more aware about donating to charity more generally.

Many felt that HMRC should take the lead role in promoting Gift Aid and helping charities learn how to administer it more efficiently. It was believed that HMRC was the best placed agency to help the third sector learn about Gift Aid as it was knowledgeable about how the system worked.

# 1. Introduction

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This report contains the findings from qualitative research among charities, intermediaries and stakeholders exploring attitudes towards Gift Aid and the key barriers to its adoption by charities. This research was undertaken by the Ipsos MORI Social Research Institute on behalf of Her Majesty's Revenue and Customs (HMRC) and the Charities Aid Foundation (CAF). This chapter sets out the background to the research, discusses the research objectives in detail and outlines how the remainder of the report is structured.

## 1.1 Research Background

The introduction of Gift Aid as part of the Finance Act of 1990 allowed charities to reclaim basic rate tax relief on donations. During the last seventeen years, this has had a real impact on the revenues of the Third Sector; for example, in 2006/07, £2.94bn was donated to charities, which generated £830m in tax repayments<sup>5</sup>.

Despite this, there is felt to be scope for improvement. In 2004/05 HM Revenue and Customs (HMRC) estimated that around 59,000 charities reclaimed tax relief from Gift Aid donations. The Charities Aid Foundation (CAF) suggested it is unlikely that this represents any more than around half of all charities involved in fundraising<sup>6</sup>. Furthermore, in 2005/06, only around a third of donors used Gift Aid<sup>7</sup> – a figure similar to that of the previous year.

To investigate this further, HM Treasury (HMT) launched a consultation on Gift Aid to determine how it might better meet the needs of those in the Third Sector. To complement this consultation process, HMRC and CAF commissioned an in-depth qualitative research study to fully explore the views of those in the Third Sector.

## 1.2 Study objectives

The qualitative research was specifically designed to tackle the following objectives:

- To explore in depth attitudes to Gift Aid and tax efficient giving generally – how Gift Aid is perceived and the value and impact of it;
- To identify whether charity size or fundraising strategies affects the take-up of Gift Aid;
- To understand attitudes towards, and perceptions of HMRC, and whether this is relevant to the adoption of Gift Aid;
- To see how Gift Aid works in comparison with other forms of tax efficient giving;
- To understand what knowledge charities have about Gift Aid, and how they gain this knowledge;
- To understand the extent to which charities use Gift Aid within the current rules of Gift Aid, and whether they could make greater use of it;

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<sup>5</sup> <http://www.hmrc.gov.uk/stats/charities/table10-3.pdf>

<sup>6</sup> <http://www.cafonline.org/pdf/GiftAidResearch2006.pdf>

<sup>7</sup> <http://www.cafonline.org/pdf/UK%20Giving2005-06.pdf>

- To explore the journey that charities take when administering Gift Aid, and where some of the key barriers to adoption lie; and,
- To examine what would encourage those that do not use Gift Aid to use it more.

### 1.3 Methodology

The research adopted a wholly qualitative methodology of single, paired and tri, face-to-face depth interviews. Single depth interviews involved a one-to-one approach; with the moderator discussing experiences of Gift Aid with the most relevant person at that organisation. This varied between a Trustee working as a volunteer at a very small charity, or a Director of Finance at a large charity. In larger charities where more than one individual had some experience of Gift Aid, either two or three participants were interviewed to gain a deeper understanding, and to generate more discussion. Where several participants were present, these would often include a Fundraising manager, Director of the charity, Head of Marketing, a Gift Aid administrator or fundraiser.

The real value of a qualitative approach is that it allows insight into the attitudes and beliefs of individuals with regard to the experience of claiming Gift Aid, which could not be examined in as much depth using a structured quantitative questionnaire. Furthermore, it is well suited to discussing difficult issues such as tax and charity finances, as the moderator is able to build up a good rapport and level of trust with the participant due to the face-to-face nature of the approach.

All interviews were structured by the use of a discussion guide. A discussion guide is intended to stimulate, rather than lead, conversation but ensures that there are areas of commonality between all the interviews. We developed three discussion guides, for charities, intermediaries and stakeholders, in close consultation with HMRC. Please see the Appendix for more details.

In all, 57 depth interviews were carried out; 46 with charities (19 of which were paired or tri-depths), six interviews with intermediaries, and five with stakeholders. Interviews lasted between 45 minutes and 1½ hours. The intermediaries and stakeholders were included to help give a broader overview of how the sector functions.

For the purposes of this research, intermediaries were classed as organisations that help charities administer tax efficient giving. This can be achieved in several ways whether through Gift Aid, Payroll Giving, Share Giving, or holding voucher accounts (a form of Gift Aid). These organisations are charities themselves and charge a fee for their work.

Stakeholders were defined as organisations, often large in size, that deal with more general policy and practice within the sector. These organisations have less direct contact with how charities function on a daily basis, but understand broader policy implications across the sector.

The Charity Commission groups charities into four different sizes based on income on their Register: <£10k, £10k – £250K, £250k - £1m, £1m+. We were able to identify the size of charities according to the Charity Commission Register and have represented in this report as follows: Very Small (<£10k), Small (£10k - £250k), Medium (£250k - £1m), Large (£1m+).

As part of the recruitment process charities were asked whether they use Gift Aid and, if so, the extent to which they use it. Charities were divided into two categories: regular users of Gift Aid and irregular users, with equal quotas being set on each. However, it became apparent that

these self-defined terms were particularly subjective. For example, it was found that charities may say that they use Gift Aid regularly, but this included charities using Gift Aid on a large proportion of eligible donations, through to charities who thought they were using Gift Aid on all donations they could, but were not actually using it to its full effect.

Similarly, a charity which defined itself as using Gift Aid irregularly could include:

- A charity not using Gift Aid;
- A charity using Gift Aid on all eligible donations but only submitting a claim once a year, which may be due to the number of individual donations each year being small in number; and
- A charity thinking that they can use Gift Aid on more donations than they actually can, but feel they are not taking full advantage.

Figure 1.1 demonstrates the differences between charities that feel they use Gift Aid regularly or irregularly:

Figure 1.1 – Regularity with which charities use Gift Aid

**Charities often stated that they used Gift Aid regularly or irregularly in a number of different scenarios:**

Regular Users	Irregular users
<ul style="list-style-type: none"> <li>• A charity that uses Gift aid on a high proportion of donations</li> <li>• A charity that uses Gift Aid on some of their donations,</li> <li>• A charity that may not know the extent to which they can claim, but claim once a month</li> </ul>	<ul style="list-style-type: none"> <li>• A charity that did not use Gift Aid at all</li> <li>• A charity that claims everything but puts a claim in once a year</li> <li>• May think that they can claim more than they can</li> </ul>
Confident using Gift Aid	Not confident using Gift Aid



The extent to which charities stated that they use Gift Aid regularly or not was not always a clear indicator for how much of their donations they processed Gift Aid on. However, it became apparent that where charities stated that they use Gift Aid regularly, this often related to the level to which they felt confident administering the processes associated with it. Equally, charities that stated that they did not use Gift Aid regularly did not often feel confident using Gift Aid.

These issues were taken into account during the analysis stage and it is the behaviours and perceptions of these different sub-groups that are highlighted throughout this report.

The interviews with charities were split across whether the charity said they used Gift Aid regularly or irregularly, and across the following seven case study areas, chosen to complement the locations used in the HMT consultation:

- Birmingham
- London
- Leeds
- Bristol
- Cardiff
- Edinburgh
- Belfast

Interviews were conducted during September and October 2007. Qualitative researchers from the Ipsos MORI Social Research Institute facilitated all the depth interviews and, to help with this, used a carefully structured discussion guide which can be found in the Appendices. All the interviews were tape-recorded and transcribed with permission from the participants.

An opt-out letter was sent to a sample of charities, intermediaries and stakeholders and they were given a fortnight to inform us if they did not wish to participate. This letter is included in Appendix F for reference. All those who did not want to take part were removed from the sample. We contacted potential participants by telephone to set up appointments and to ensure that we met the quotas set.

## **1.4 Presentation and interpretation of the data**

While qualitative research was the most appropriate methodological approach for this study, it is important to bear in mind that it utilises smaller samples that are chosen purposively, to ensure representation of a full range of views within the sample.

Qualitative research is designed to be illustrative and does not look to produce statistics and this should be taken into account when interpreting the research findings. In addition, it is important to bear in mind that the research deals with perceptions rather than facts (though perceptions *are* facts to those that hold them).

Throughout the report we have made use of verbatim comments to exemplify a particular viewpoint. It is important to be aware that these views do not necessarily represent the views of all participants. Where verbatim comments have been used, the participant's attributes are shown by charity size only, or as an intermediary or stakeholder as appropriate.

## **1.5 Analysis**

Each of the depth interviews were recorded and transcribed for analysis purposes. This was supplemented by numerous 'brainstorms' by the researchers, which helped channel the key themes arising and direct the report towards a coherent structure. During the 'brainstorms' it was noted that there was no discernable regional variations in participants' views.

## **1.6 Report outline**

Following this introduction, this report is divided into four main sections:

- Chapter 2: Perception of Gift Aid;
- Chapter 3: Experiences of Gift Aid;
- Chapter 4: Attitudes to HMRC; and,
- Chapter 5: Improving the Gift Aid experience.

## 2. Perceptions of Gift Aid

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### Summary Box: Perception of Gift Aid

Regardless of the regularity with which they used Gift Aid, *all* charities viewed Gift Aid positively. Not only was Gift Aid seen as an extra source of income which the charities would not otherwise have access to but many charities relied on Gift Aid as an essential part of their funding.

Beyond this, however, there was a low level of understanding as to how Gift Aid actually works in practice:

- Most charities had only learnt the rules of Gift Aid that applied to their specific fundraising strategy. This meant that charities' understanding of Gift Aid was often compartmentalised, and designed to suit their immediate needs.
- Medium and large charities were often more informed on the principles of how Gift Aid works. This reflected the fact that they were more likely to have a dedicated member of staff that dealt with administration in the charity.
- Smaller charities whose fundraising was often limited to a small number of regular donors, often relied on Gift Aid to supplement their income.
- Large charities were less reliant on Gift Aid overall but often understood it the best. Gift Aid was regularly built into their business model as a matter of course.

Charities felt there were several 'grey areas' in the rules of Gift Aid. Charities took a different approach as to how these could be interpreted with some taking a liberal interpretation of what could be counted as a donation, making way for other streams of income to be eligible for Gift Aid.

### 2.1 Spontaneous perceptions of Gift Aid

Initial responses about Gift Aid were often very positive. It was thought to give charities more money with which to continue their activities. This money was often regarded as 'extra' money, even when charities built in Gift Aid contributions into their yearly spending.

This positive image of Gift Aid also extended to those who did not use Gift Aid. Whilst they had not 'got to grips' with how to claim Gift Aid, there was a strong sense that they knew they should, because it was a worthwhile scheme to get involved in.

Beyond this though, there was a belief that the charitable sector did not understand Gift Aid well. There was confusion about how Gift Aid could be used, about what Best Practice in implementing Gift Aid might be, the extent to which a payment could be stated a donation, how HMRC could accept declarations, and what charities should be telling donors. This lack of understanding about how to proceed often led charities not to engage with Gift Aid.

However, charities understood that the money came directly from taxpayers and was being 'diverted away' from the Government. Indeed charities often stated that the system of Gift Aid was a method of 'getting one over on the government', and this was an advantage of using Gift Aid. Whilst there was a strong sense that charities did not understand particularly well how Gift

Aid worked, it was well known that the money came from returns on income tax, rather than from a government spending measure.

*“Because it’s probably directing some of the tax back to the charity, rather than just all going to the government.”*

Small charity

When speaking in a more theoretical manner, it was often considered that Gift Aid was a system that allowed individual taxpayers to divert money away from the government towards a more charitable service. This supported charities assumptions that the sector received significant help through Gift Aid.

*“That’s what you’re giving, you’re giving your personal tax back.... It’s good for donors to know that too.”*

Intermediary

More negative comments about the system of Gift Aid often came from those that felt they did not know the system well. These regularly centred around the perceived confusing nature of Gift Aid and how to implement the rules.

## **2.2 Reliance on Gift Aid**

Charities that used Gift Aid found it to be a reliable source of income. They often built an element of fundraising into their accounts each year and the associated Gift Aid that would come from this.

Small and medium charities often received money through donations as the largest proportion of their income. These charities placed great importance on Gift Aid, but felt that they were the least equipped to deal with the administrative processes associated with it.

Very small and small charities often felt that they relied on Gift Aid to a high degree. These participants occasionally tried to quantify the amount of difference made to their charity, although many found this difficult to do.

*“I think it’s quite considerable because if we didn’t get say, 75% to 80% of our members to Gift Aid, the subscription would go up accordingly.”*

Very small charity

Whilst the larger charities often claimed more Gift Aid per year than their counterparts, they tended not to rely on it as a source of income. This was generally because large charities often formulated a business plan that incorporated income from large service agreements and grants. Large charities with a high public profile also attracted large amounts of donations, but did not always believe this represented a high percentage of their income.

With the focus of large charities on other forms of raising money, claiming Gift Aid was not always considered an efficient use of their resources. Typically, these charities put a system in place whereby they could claim Gift Aid on a given set of donations, for instance, on subscriptions. However, having put these processes in place they rarely organised extra systems to deal with Gift Aid for other types of donations.

*“If I was to look at a volume of money, say we’ve had 30,000 donations in [approx £13,000], I’ll probably apply for £700 or £800 worth of Gift Aid, it isn’t a huge amount.”*

Large charity

## 2.3 Awareness and understanding of Gift Aid

The level to which charities were aware of Gift Aid and understood it varied, depending on the size of the charity in question. Very small charities were, typically, more regular users of Gift Aid. However these charities tended only to know in detail the aspects of Gift Aid that related to how they received money most commonly. To illustrate, as very small charities often relied on membership fees, they would often understand Gift Aid from that perspective alone. This often meant that, when exploring *all* their fundraising activities, there was potential to claim Gift Aid on other forms of income that they had not previously considered possible.

### CASE STUDY 1

A community charity that is part of a larger regional and national umbrella group serves a small rural town, providing activities and talks for its members. With approximately 75 members, it has an annual turnover of just over £5,000 a year. The main source of income is the membership fee (£27) as well as other donations spread out across the year to help fund its continuing community work. The charity has claimed Gift Aid on its membership fees for the previous eight years, but knew little else about the other aspects of Gift Aid that could be claimed.

*“I don’t know if we collected on anything else because nothing else is on subscription, because that’s a regular amount isn’t it? Otherwise it’s the weekly offerings like the 50ps or collecting for the book club, collecting for the afternoons. They pay, say, £1 when they go using the hall.”*

The Treasurer has made it a matter of course that each donation is recorded with details of who it came from.

*“Sometimes people give me money at other times. So I’ve got another book that I enter everything in before I put it in here. Probably takes a few hours or more [per month]”*

Furthermore, the charity already had all the processes in place to claim Gift Aid, as they had the personal details and the signed declaration forms from the membership fee. However Gift Aid was only claimed on membership fees rather than donations.

Partly, this was due to a lack of knowledge transfer. As the charity is very small, the Treasurer is allocated on a rolling year-on-year basis. This has meant that new Treasurers rarely have an in-depth understanding of what systems have been developed and why certain processes are in place.

Generally, small charities displayed the lowest levels of awareness about Gift Aid. This was a consequence of not having a dedicated administrative department to deal with Gift Aid and their staff being responsible for a number of different activities. As a result, staff often felt overburdened and did not feel that they had the available time to learn more about the implementation of, and processes associated with, Gift Aid.

Medium charities tended to understand the basic principles of Gift Aid and, furthermore, believed it was important for them to be aware of it as they recognised the benefits it could

bring to their organisation and its members. Consequently, medium charities would often keep issues related to Gift Aid ‘top-of-mind’ and would reassess their fundraising work on a regular basis to determine whether there are additional elements within this that they could claim on.

There was an underlying sense, particularly amongst the regular users of Gift Aid, that the Gift Aid audit was a good way to learn about how Gift Aid works. Whilst there was a low level of awareness about the audit process itself, those that knew of it spoke of it as an opportunity rather than a challenge. The Gift Aid auditor was seen as a useful source of information whose knowledge and experience could help to clarify some of the ‘grey’ areas that charities often had in relation to Gift Aid (these are explored in more detail in section 3.3).

Intermediaries often felt that there was a low level of understanding across the sector which they felt they were working to improve. Some intermediaries had started concerted campaigns to let charities know about Gift Aid as well as the services they offered to help them. This was often done through mail shots, having obtained charities’ details from the Charity Commission.

Stakeholders believed that the size of charity was relatively immaterial to the level to which they understood Gift Aid. They cited the ability of a charity to be able to deal with its finances properly and often pointed to successful examples where particular staff had made the difference. Indeed, this perception is in line with other findings from this research, in that stakeholders believed awareness and understanding was largely dependent on the individuals involved in the charities finances, rather than a systemic level of engagement.

*“And you can meet a smaller charity who, because of the people who are there, are really organised, are very professional, and their finance department is as good as any commercial one, and it might be that one of their trustees or the people they’ve got working there used to work in the commercial sector. You could have a really large charity that’s got more resources but the people in charge never really focus on finance.”*

Stakeholder

### **Interpreting the rules**

There was a feeling amongst most charities and intermediaries that the way Gift Aid currently works causes confusion. Among those charities that were claiming Gift Aid on a regular basis, there was a perception that there are some ‘grey areas’ involved with claiming Gift Aid. These grey areas extended beyond the scope of being ‘creative’ within the rules of Gift Aid to those charities that wanted to interpret Gift Aid within the spirit of the law, but were unsure if they had understood the rules correctly.

*“There was some confusion also whether subscriptions can be treated as donations, yes.”*

Very small charity

*“That wasn’t clear, so it was only when we discussed it and said look we’re not providing any service, it’s not like a gym or something you’re paying something, so because you’re going to use the gym for something or other, here we don’t provide a centre or even a news bulletin or nothing like that. So this is pure donation this is, we are calling it a subs but members are just donating to the society, it doesn’t pay even for a cup of tea or something like that.”*

Small charity

Medium charities were commonly the more 'creative' claimers of Gift Aid. These charities often started from the premise that if money received can be treated as a donation, then Gift Aid can be claimed. Following this principle meant that charities asked individuals to give their money as a donation instead of some other manner. For instance, in accordance with the rules on Gift Aid, a payment for a service is not a gift and, therefore technically not eligible for Gift Aid. However, some medium charities claimed Gift Aid on services provided by offering the services as free and then inviting donations *i.e. they did not require payment for the services, but there was an expectation that in practice most people would provide a donation*. This creative form of claiming Gift Aid was seen to be a legitimate workaround of the rules, although depending on the specific arrangements there is risk that HMRC would not accept that all such payments are qualifying donations. Furthermore, given that these charities often believed themselves to be under-resourced, there was a belief that 'the ends would justify the means' with regards to this workaround.

*But one of the supplementary questions she asks when we've determined they're fit to have [an animal] is, there will be a donation we'll ask for. The amount's up to you. It's a donation. It's not really a price. And are you a taxpayer? If so, have you heard about Gift Aid and they will give us a donation of, say, £40 for [an animal]. They'll get a receipt for it and we'll tick a box that says Gift Aid agreed and that will then go every month with a list of our committee's signatures and forms.*

Medium charity

Large charities were often the most aware of the Gift Aid process. The administrative department of these charities understood details about the Gift Aid process and worked in conjunction with the organisation's dedicated communications and marketing department in order to help donors understand the process too. These charities understood which aspects of their fundraising they could use Gift Aid on, and whether they could use Gift Aid on upcoming events. The in-depth knowledge these charities had, made it easier for them to plan future events and build Gift Aid declarations into events before they happened.

These larger charities would be less likely to try 'creative' adaptations of Gift Aid without first checking with HMRC, so as to avoid any difficulty in the future. Many of these charities stated that they would not like to get the rules wrong as they would be worried about damaging their own reputation and so were likely to regulate their own actions.

This was also a problem for charities that claim Gift Aid on donations from the same donors each year. Whilst this was considered to be one of the easiest ways of claiming Gift Aid, charities had come across areas that weren't felt to be clear. There was a particular issue with the individuals involved who were making the Gift Aid declarations whilst their partners were paying the cheques, meaning that the declaration did not match the donation.

*There's a grey area that exercises me from time to time and that is, that basically our membership is conceptually a family membership. So someone pays £15 for a family membership but normally the membership is taken out by one, either the man or the woman, and one of them signs the Gift Aid form, and then the next year you may get the other party actually paying. So you have a Gift Aid form for the wife and then the next year the husband pays. And do you play it totally by the letter of the law? Or do you say, well the spirit of the thing is that? So that's a slightly grey area*

Small charity

Regular users of Gift Aid often created a system whereby they kept the Gift Aid declarations of regular donors thus negating the need to chase donors repeatedly for the same form. However, many charities recognised that at some point these donors may stop paying income tax which would, in turn, invalidate their claim. There was no common understanding of how to deal with this issue as charities were reluctant to chase donors year-on-year to check whether they were still paying income tax. It was considered that this would not only take up a great deal of resources but, furthermore, would require the charity to ask personal questions related to finance of its donors.

*I have had an incidence of that where one of my members went off to the Far East and his firm decided to pay tax in a foreign country and therefore he was no longer taxed in this country although his wife gave his envelopes. At the end of the year we had to notify the Inland Revenue that in error we had, we obtained this Gift Aid but it was not on English tax so we had to refund it but that was because the person was a very honest person. I wouldn't know if others were doing the same and who is responsible for that?*

Very small charity

Charities often tended to over-regulate themselves in these cases. Where charities felt unsure about claiming Gift Aid on a donation they had received, they would not act for fear of interpreting the rules incorrectly, rather than 'bend' the rules for their own situation. However, there was a sense that these grey areas needed some clarification in order to enable them to understand Gift Aid better.

## 2.4 Donor awareness of Gift Aid

The level of donor awareness was seen as an important factor amongst charities trying to claim Gift Aid as getting donors on board was one of the key stages. However, many charities were unsure of the level of awareness of Gift Aid amongst donors. This lack of understanding meant it could be difficult to demonstrate to donors that the Gift Aid declaration was an important part of the process.

Those who knew most about donor awareness were often very small charities who knew their donors in a personal or community capacity. These charities believed that donors did not always focus on Gift Aid because it did not stand out amongst the plethora of other promotional information they received, or that when they did look at the declaration form they were suspicious of it as it entailed releasing personal data.

*“They’ve probably never really taken any time to find out about Gift Aid. They probably think there’s some sort of con in it somewhere as most people do. Maybe they think they have to give more information that they’re not willing to maybe give.”*

Very small charity

*“When we acknowledge it, we would send a Gift Aid form out. So then it’s up to them whether they sign it. Some people do and return it, other people don’t. Now I suppose people get so much mail these days. And saying that, we try to keep the declaration as simple as possible. So people aren’t having to almost sign their life away, or feel that they’re signing their life away.”*

Small charity

Many charities created new materials to raise awareness of Gift Aid amongst their donors (for details about these materials see Section 3.3). This was seen as one of the best ways to engage with donors, help change their perception of Gift Aid, and get more donors on board. Charities were often doing this in isolation of one another, which sometimes made them feel they were reinventing the wheel. Others used the suggested wording from HMRC and re-worded this slightly to suit their needs.

*“Well we used their recommendation for the wording, and then we just redesigned it ourselves.”*

Small charity

Intermediaries also thought that donor knowledge was sparse, although it was increasing over time.

*“I think that knowledge is growing, people are aware of it to some extent. I don’t think that an awful lot of people necessarily know exactly what it means, but they’re aware that it’s something to do with tax and something that is probably quite a good thing when they’re making a donation. I think things like the television appeals like Children in Need and Comic Relief have helped with that, because they are, they always say ring to make your donation and when they ask you about Gift Aid say yes.”*

Intermediary

Stakeholders felt that there was mixed awareness amongst donors, although they considered that donors that gave to charity regularly were aware of Gift Aid to a reasonably high degree. Stakeholders believed that if the public knew more about the benefits of Gift Aid then it would be likely that donations to charity would increase. A minority of stakeholders suggested that large charities could use celebrity involvement as a way of promoting Gift Aid to the wider public.

*“I think the thing with donors is often they, the best way is to identify key people who do use Gift Aid, so again it’s best practice in terms of perhaps well known people who would say, well I give X pounds a month so I use Gift Aid to make this cost effective.”*

Stakeholder

## **2.5 Other forms of tax efficient giving**

Awareness of other forms of tax efficient giving was low amongst many charities. Few charities used other forms of tax efficient giving and, where they did, Payroll Giving was the most commonly used. There tended to be little awareness of Share Giving.

Where charities knew about or used Payroll Giving it was considered to be complementary to Gift Aid. Donors would normally be more dedicated to giving money through this method as Payroll Giving was administered on a monthly basis. In contrast, Gift Aid was considered to put less pressure on the donor to donate on such a regular basis. Charities generally felt it complemented Gift Aid as donors were not always on a PAYE which is a pre-requisite for Payroll Giving.

Where charities ran Payroll Giving schemes it was seen to be less burdensome than administering Gift Aid because the employer rather than the charity performed the administration. Payroll Giving was often seen in a positive light as it means the actual cost of giving £100 to charity is only £60 for higher rate taxpayers due to tax relief. Where charities administered both Gift Aid and Payroll Giving, they rarely tried to get donors to switch to Payroll Giving schemes as the two were seen as complementary.

Intermediaries had the greatest knowledge about Payroll Giving and regularly helped charities set this up. A large part of the intermediaries’ work was taken up as a Payroll Giving agency. Intermediaries tended to feel that Payroll Giving was the preferred form of tax efficient giving because the employer absorbed much of the administrative burden, and consequently promoted Payroll Giving to charities more than Gift Aid.

Whilst charities were aware there were other forms of tax efficient giving, there was a strong sense that Gift Aid was the most popular and most common form.

## 2.6 Perceived impact on sector

Few charities could *quantify* the impact of Gift Aid on the charitable sector. Instead, when discussing this issue, charities would often extrapolate from their own experiences to make an assumption about the impact it had on the sector as a whole.

Participants regularly felt that Gift Aid was a positive form of revenue for a generally under-resourced sector. There was a strong sense from participants that smaller charities were the ones likely to benefit most from claiming Gift Aid.

*“Well I’m sure a lot of charities are impacted by it, because it’s the extra revenue they’re getting. And every penny in the charity world helps. Especially for smaller charities. I think it would impact more on smaller charities, possibly than the larger.”*

Small charity

### CASE STUDY 2

A small regional charity has a turnover of around £50,000 and looks after unwanted pets. They are part of a larger national umbrella charity but run their own finances and affairs. They receive money through donations for services that they provide for free, and a yearly bonus from their head office dependent upon performance.

A decade ago the charity used to rely on a number of events that centred around selling second hand goods to boost income. As the internet became more popular and people sell their goods online, more energy had to go into these events for them to make money. Five years ago the charity started to administer Gift Aid which has allowed them to rely less on the events. The money from Gift Aid has allowed them to put more energy into their core services rather than fundraising.

*“Ten years ago, we would have a quarter of our income from bazaars and jumble sales, but with e-bay, Amazon, car boot sales, loads of charity shops, the market there’s not what it was and it’s a lot of energy. So Gift Aid’s filled the gap there.”*

The administrator of Gift Aid also doubles up as the general administrator for the whole charity and administering Gift Aid forms a small part of their duties, which also include several non-admin roles. Whilst the administration in the charity is seen as a burden on resources as paperwork was described to “pile up”, Gift Aid was not considered the burdensome part of the process.

*“It [Gift Aid] provides us with 10% of our income for far less than 10% of our energy. I couldn’t put it any better than that”*

Despite the charity having put an efficient process in place to claim Gift Aid on many aspects of its fundraising strategy, they felt that there was potential for improvement. The charity felt that they could learn from other charities by basing more of its fundraising activities around possible claims of Gift Aid. In this respect they felt that much of the sector was concentrating its efforts on raising extra revenue through Gift Aid.

*“If, like many charities, we could sort out our fundraising activities amongst a group of people that are available during the day to do things that have got the energy and are not very old or disabled, that would take the heat off some of our [animal] carers. Doing both ... is harder as a charity and if there’s a feeling amongst our current committee and me as co-ordinator, it’s that we’ve not been able to build the fundraising sides up as much as we should in terms of bodies doing it”*

Whilst their perception of other charities gearing fundraising around Gift Aid did not match the results of the research, it represented a common belief on how important Gift Aid is to the sector. Indeed the charity was prepared to change some of its activities in the future so that it could benefit from the additional Gift Aid revenue.

There was a strong sense that Gift Aid had a greater impact on the charities with the least money. It was commonly the case that the smaller the charity, the greater the reliance on donations through fundraising. Larger charities often had more diversified income streams which meant that they relied more heavily on grants and service agreements that could not attract Gift Aid.

This varying dependence on Gift Aid as an income stream was often reflected in the thoughts on how important Gift Aid was for the sector. Very small and small charities often felt that Gift Aid had a large impact on the sector enabling charities to perform duties that could not otherwise happen. This difference was often felt to be substantive, with one charity stating that they bought a new minibus that changed the nature of their work. In this respect the impact on smaller charities was seen to open up new avenues for services that they provide, rather than simply making existing services better.

Medium and large charities were more likely to say that Gift Aid was important but that it acted as a boost to current activities. With less reliance on donations (as these charities tended to have an income base of grants and service agreements), the percentage difference that Gift Aid provided was less than that of the smaller charities.

Whilst there was a strong sense that charities did not seem aware of the impact Gift Aid had on the sector as a whole, they assumed the impact to be same as the impact it had on their charity. However, few believed that knowledge and awareness of Gift Aid was shared between charities to help them ensure that the full potential of Gift Aid was realised.

### 3. Experiences of Gift Aid – The ‘Gift Aid journey’

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#### Summary Box: Experiences of Gift Aid

The pre-registration experience of the Gift Aid journey was often considered the biggest practical barrier to Gift Aid adoption:

- Charities often found that information relevant to them was hard to find, and used information from numerous different sources;
- The information itself was often felt to be hard to understand, and this initial hurdle served to dissuade some charities from claiming Gift Aid.
- Small and Medium charities often cited the registration form as a barrier to claiming Gift Aid as they could not always be sure which member of staff would be the named administrator of Gift Aid.

Once charities had registered to claim Gift Aid, the manner in which charities experience Gift Aid was often related to their fundraising strategy:

- Membership subscriptions and regular donors were commonly felt to be the easiest method of fundraising to claim Gift Aid on, whilst ad hoc events and sponsorship events were seen as being more complex;
- Irregular users of Gift Aid were less likely to build Gift Aid declarations into future events due to their lack of experience in processing claims;
- Small charities often knew their support base personally, so could get donors on board more easily. Larger charities with a high public profile often received anonymous donations which made it difficult for them to get a declaration;
- Developing best practice for administering Gift Aid was seen as key to lessening the burden. While most charities did this alone, some tried to learn from each other and shared knowledge.
- For many charities, processing Gift Aid claims was just one of many administrative procedures that they had to undergo and, therefore, the administrative burden was not seen to outweigh the benefit of Gift Aid.

Finally, many had heard of possible changes to how Gift Aid may be administered in the future. Several participants spontaneously raised ideas they had heard such as reducing the burden of proof when submitting a claim, or severing Gift Aid from the basic rate of income tax. When these suggestions were raised there was little support for such changes.

This section is intended to highlight the journey charities take in setting up, applying, processing, and administering Gift Aid.

Charities regularly spoke of administering Gift Aid in terms of the ‘effort’ it required. Regular users often felt that Gift Aid took little effort and gave them high rewards. Conversely, irregular users who were not confident in their approach to Gift Aid found the processes of Gift Aid took a lot of effort.

Figure 3.1 below highlights in general terms the journey charities go through in regards to their efforts and rewards. This can vary significantly for charities depending on their types of

fundraising techniques and the staff they have in place to deal with Gift Aid, but gives an overall summary of the Gift Aid journey.

Figure 3.1 – The Gift Aid journey



The shape of the curve shows the amount of 'effort' expended compared with the amount of 'reward' received. This highlights that the early stages of Gift Aid require considerable effort for some charities as they find the initial set-up of Gift Aid the most problematic. Once this initial set-up has been put in place, and donors have made the Gift Aid declarations, Gift Aid is seen to take little extra effort for the amount of money they receive.

### 3.1 Working towards registration

Charities felt there could be quite a lot of work to do before they even registered to receive Gift Aid. Finding a coherent package of information that they could use and understand was the first step in this process. Whilst the first port of call was often the HMRC website, few charities claimed to be able to move straight from the information provided to being able to process claims.

A particular difficulty encountered with the website was being able to find the relevant area relating to Gift Aid. Once this was located charities stated difficulties in finding all the information that they needed. This represented more of a barrier to small and medium charities, who did not have the dedicated administration staff.

Large charities often had more time and resources dedicated to exploring the website, and were more systematic in their approach to finding information. They were also less hesitant in contacting the HMRC helpline for advice and information. The same was generally true of very small charities, particularly when the member of staff dealing with Gift Aid was a retired or current professional.

Time represented a key factor in finding information. Where charities had time available to them, it often meant that they could look beyond the HMRC website to other helpful sources. These included other internet sites found through search engines, known stakeholders, or fellow charities.

*"When the, all the whole Gift Aid thing came out, and it was new, just reading all the gumph, mountains of gumph they send you,*

*you've got to this, you've got to do that, you've got to do the other, and I think it went on a long time."*

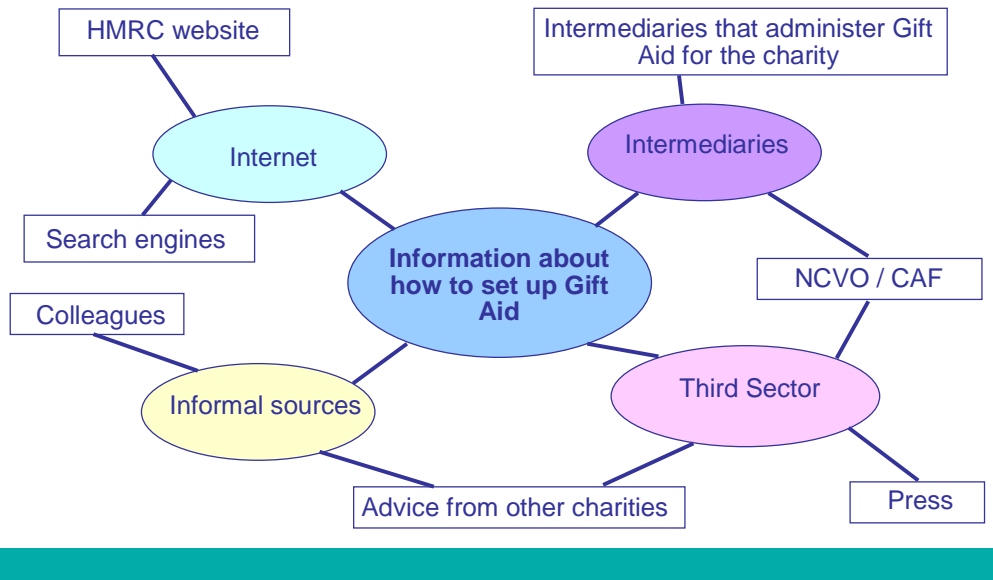
Medium charity

There was little consistency amongst participants regarding where the best source of information about how to administer Gift aid came from. Participants often looked at several sources in order to understand the process, which often followed searches on the internet.

An important factor in determining how well charities were able to find and interpret information was whether they were regular or irregular users. Regular users of Gift Aid were often confident in their interpretation of the rules of Gift Aid. Whilst they looked beyond the HMRC website to find out how they should administer Gift Aid, they were clear that they had interpreted the rules correctly (although it was apparent this was not always the case). More irregular users of Gift Aid claimed they did not know where to look in order to find the relevant information.

Figure 3.2 below indicates where charities tend to go in order to find information about Gift Aid.

Figure 3.2 – Current ways to access information on setting up Gift Aid



There was also a strong sense amongst the irregular users that any information they did find was irrelevant to them. Many suggested they wanted information that told them what to do and how, which was tailored towards their circumstances. Intermediaries also thought that charities wanted to be told how to administer Gift Aid in a ‘fool-proof’ and consistent manner.

*“Basically we know where the website is, we’ve had a little brief spell at looking at it, but in theory no one’s actually come and said to us this is a way of claiming Gift Aid, other than the fact is we’d have to go through magazines, or go on the internet and have a look ourselves.”*

Very small charity

Gift Aid registration was the next step in the process of the Gift Aid journey. Again, small and medium charities had the most difficulty when processing the initial forms to register for Gift Aid. This was, in part, because they did not feel equipped with the tools and information to deal with Gift Aid. Very small and small charities often struggled with the fact that they had to register a

named person to administer Gift Aid for the charity. Smaller charities were uncertain who to put down as a named person as they were not always sure who would be the consistent administrator of Gift Aid, or if that staff member would remain at the organisation.

Small and medium sized charities sometimes felt that the forms were not particularly easy to understand or fill in. This tended to reflect a more general perception about filling in government forms as they did not feel that the Gift Aid form was any harder or easier than others they had to complete. Where a dedicated member of administration staff did this they were more confident, reflecting a higher level of experience when dealing with government organisations overall.

*“You’ve got to read loads and loads and loads and you’ve got to have a feel for the language they use in these forms, as they’re typical government forms.”*

Very small charity

*“So that was actually easier than I thought it would be, because I thought I was going to have to hand write this separate as an appendix, you know see form A B 10 or something. Oh no, I’m going to have hand write 40 people, or 60 people’s name, addresses. But no I just had to get the spreadsheets, that way, how it had been done previously.”*

Small charity

### **CASE STUDY 3**

The following is a case study of a very small charity that had been established since the mid-seventies. Prior to the 2004 Tsunami the charity had never claimed Gift Aid and relied on small regular donations to function.

All the Trustees of the charity work in a voluntary capacity and there were very little administration costs or burdens involved in running the charity. The focus of the charity was to raise money for charitable causes in South Asia, which they would give as one-off grants for educational and medical causes.

The charity raised money through its membership fee and one event per year. These yearly events raised approximately £2,000 in profit which would be put towards the annual grants it gave to South Asian charities each year. Following the 2004 Tsunami the charity received a vast increase in donations and this prompted the trustees to look into applying for Gift Aid. In the year that followed they processed Gift Aid claims for over 300 donations, which significantly boosted its income.

Donations to the charity stopped as quickly as they started, and a year after the Tsunami the charity was no longer receiving donations. Having established the Gift Aid process, and understanding how it could continually claim, the charity maintained its Gift Aid claim year-on-year because it found the process easy to implement. The charity now only claims Gift Aid on the subscriptions it receives from its members, but happily continues to do so because the Treasurer knows how.

*“I think people didn’t know the procedure or they thought it was too much of a hassle, yes, and the sums didn’t seem worth it like I suppose because it was only, in relation to the total, if you like, the revenues that were coming in, the claimer part was only about maybe at most £200, so it wasn’t worth claiming just Gift Aid on that.”*

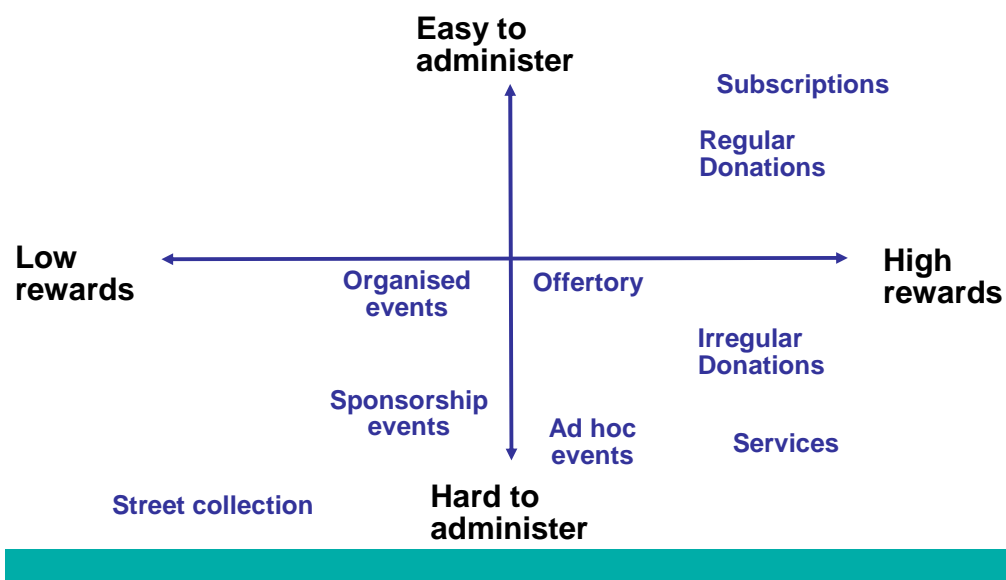
The charity considers itself a regular user of Gift Aid now, and processes the Gift Aid form once a year, and feels it is little effort for the reward it receives. The experience of claiming Gift Aid meant that they now feel it is easy to administer.

### 3.2 Claiming Gift Aid

Charities had often figured out which part of their fundraising strategy they could use Gift Aid for during the initial phase of information gathering. This made the next step of getting donors on board a little easier as they already knew who they should be targeting.

One of the key barriers to getting Gift Aid running successfully is the extent to which charities get donors to make Gift Aid declarations. Indeed getting donors on board is intricately linked to the fundraising strategy of the charity. Figure 4.3 below highlights the relative ease with which charities can process Gift Aid, and the amount of returns they receive, compared with different fundraising strategies:

Figure 3.3 – How charities view administering Gift Aid



**Membership fees** were deemed to be the easiest forms of fundraising to claim Gift Aid on regardless of charity size. Membership of a charity often means that members will receive at least one newsletter a year from a charity, which means that they can always use this to contact a donor to remind them about completing a Gift Aid declaration. This comes across as not appearing to ‘hassle’ a donor but acts as a good way of boosting the number of donors that fill in declarations. Membership can also involve regular meetings that act as a good opportunity to increase donor participation in Gift Aid.

*“Well we encourage all our members to sign up for Gift Aid when they join, obviously, and then we send promotions out with the newsletters that we send four times a year to all our membership.”*

Large charity

Very small charities often found getting donors on board easier than other charities. This was because they were community based and knew their members or donors in a personal capacity. Very small charities also found membership subscriptions fees the easiest donations

to process through Gift Aid, partly because of their regular contact with the donors, and partly due to their regularity in donating.

*“Oh of our membership I think it’s about 98% [that we are able to claim Gift Aid on].”*

Very small charity

However, the personal and community nature of very small and small charities receiving donations from local residents posed a conundrum for some. Sometimes these charities felt ‘awkward’ about chasing donors to fill in declaration forms.

*“I can send the forms and if nothing comes back, I don’t feel it’s really appropriate to ring them up and say, hey why haven’t you done this?”*

Small charity

**Regular donations** were also seen as an easy way to administer Gift Aid. As with subscriptions, the charity can keep the same Gift Aid declaration for multiple donations, so requires very little work after the initial setup of gathering the necessary information. Staff generally felt more at ease when chasing a regular donor for a Gift Aid declaration as there was often a reason that the donor gave regularly to that charity, and so would be easier to contact and have a greater level of trust with them.

There was also a sense from charities that regular donors were regular givers.<sup>8</sup> This emanated from the fact that some regular donors were knowledgeable about the Gift Aid process, as they had been through this when they had made donations to other charities in the past.

**Irregular donations** were felt to be more difficult for medium and large charities. Many charities, particularly if the charity had a high public profile, would often receive donations in an anonymous fashion that were untraceable to the donor.

Claiming Gift Aid on **services** was considered a workaround by most charities, and was not considered to be in the spirit of the law. Despite this, there was a sense amongst charities that the end justified the means as the rewards were suitably high. The difficulty in administering this form of Gift Aid lay in the fact that the charity had to provide the service for free in principle i.e. asking for donations for a free service. This meant that front line workers had to have a good understanding of the principles in order to explain it to the public, that they had to always have Gift Aid declarations with them, and that they would have to risk losing payment for the service they were providing if someone was unwilling to donate. There is the risk that HMRC will not accept that such payments qualify for Gift Aid and charities working in this manner often needed a good understanding of Gift Aid in order to administer it in this way.

There was a strong sense amongst the few religious charities that we spoke to that the **offertory** was a successful way of collecting donations for Gift Aid. Whilst the manner in which the offertory is collected in Church is not always the simplest method to receive donations for Gift Aid, there was a belief that the staff members involved had the necessary level of organisation and commitment to see Gift aid collected on a high amount of donations.

The manner in which **ad hoc fundraising events** were organised often reflected the way in which Gift Aid was claimed on donations at these events. These events were sometimes conducted without the charity actually knowing and the proceeds raised were then given to the charity after the event. Whilst the charity could often get hold of the names and addresses of

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<sup>8</sup> Note this research only spoke to charities and not to donors, so this perspective comes from speaking to charity staff.

the donors from sponsorship forms, chasing these donors after the event was considered intrusive and hard to administer.

Where donations were given at more **organised events**, the level to which Gift Aid would be claimed on these donations depended in part on the level of proactive administration staff at the charity. Whilst Gift Aid declarations could be built into these events, it was not often considered a priority when managing such occasions.

There was a strong sense that **sponsorship events** were harder to claim Gift Aid on than they should be. The way the sponsorship events were structured varied greatly from a sponsored walk or swim, to a gala dinner or watching a speaker, but invariably meant that there was some confusion at the time of donors filling out their declarations. Charities that ran such events often reported that they had had donors write down their work address which meant that the details could not be used.

Charities that collected donations on the street felt that there was no realistic way that they could claim Gift Aid on those donations. However, there was a strong desire for this type of donation to receive some form of tax advantage.

### **3.3 Areas of confusion**

As mentioned in Section 2.3, there were felt to be several grey areas in the rules of Gift Aid including some ambiguity over what counts as a donation. There was a belief that where charities provide a service, any money donated for that service was eligible for Gift Aid so long as the service was provided free of charge.

Charities that claimed Gift Aid on services often felt that the rewards for claiming on services were high, but not particularly easy to administer. Services were often available to many possible donors so Gift Aid declarations would have to be carried by all those performing the services with any given community. To illustrate, staff that carried out the services for the charity all had to be briefed on how Gift Aid worked, and that the service they were carrying out could be accessed for free should the donor not wish to donate. These factors made the administration of Gift Aid harder than other forms of donations in practice, but the rewards were sometimes deemed high enough to continue.

Organised events and sponsorship events were thought to be difficult to administer because of the issue of getting all donors to make a Gift Aid declaration when donating money to a cause. This was not because of the extra burden involved, but because the focus of the charity was normally on the event rather than the process of Gift Aid. Irregular users of Gift Aid often found themselves chasing donors retrospectively rather than building Gift Aid into the donation form.

Small and medium charities rarely had a standardised process in place for dealing with sponsorship events such as these. The retrospective administration of Gift Aid on sponsored events was often on small amounts of money donated for the event, perhaps as low as 50p or £1. Charities often felt that the difficulty of chasing these donors for a Gift Aid declaration was overly burdensome and intrusive.

Large charities also had this problem with sponsored events. Whilst large charities often had procedures in place to deal with many eventualities, many large charities had members of the public raising money for them that they did not know about. This meant that a sponsorship event might take place without their knowledge and the proceeds and donation form would be sent in to them too late for them to put the Gift Aid forms in place.

Intermediaries that dealt with donation management for charities often felt that they bore the administrative brunt of this process. For more complex administration such as this, intermediaries felt that the burden of proof was a key barrier to charities administering Gift Aid on these events.

#### **CASE STUDY 4**

A large charity specialising in the promotion of horticultural matters has over 5,000 members nationally and a turnover of over a million pounds per annum, with the majority of its income coming from grants and service agreements. The charity considered itself a regular user of Gift Aid and the administration staff felt confident administering Gift Aid.

The charity claims Gift Aid on its membership fees and on regular and irregular donations. Additionally, the charity organises at least two ad hoc events each year during which they administer Gift Aid on all donations throughout the event.

The charity felt that claiming Gift Aid on membership was a simple and straightforward process. The charity is obliged to keep records of all members anyway, so there was very little extra administration over and above that in order to have the details required to process Gift Aid. The charity has developed a spreadsheet that holds all the details of its members, and has designed this so that those who have filled in the Gift Aid declaration can be exported into another spreadsheet. Through negotiations with HMRC, the charity has come to an agreement whereby they can send HMRC the exported spreadsheet and that will suffice in order to process the Gift Aid claim. The charity puts this claim into HMRC once a year and has never encountered any problems using this process. This process takes very little time to administer and poses little burden on the administration staff.

Chasing members and donors was not seen as particularly onerous as they had developed materials themselves that explained Gift Aid in a simplistic and easy manner.

*"I don't know really, never quantified it [the amount of time taken to administer Gift Aid]. But it's merely a question of, like if that one came in I would do it for the audit trail anyway. The Gift Aid is no extra time."*

Due to the high profile of the charity they found themselves receiving a large amount of donations each year anonymously from members of the public who had entered their premises. The administration staff in the organisation did not think there would be much benefit in attempting to find out who the donors might be, despite them having the possibility of doing so through records of entrants to their premises.

Staff also stated that they are currently looking into the possibility of claiming Gift Aid on rights of admission. The reason that they had not done so yet is because they felt that the rights of admission rules on Gift Aid were a grey area that they did not want to fall foul of. They had plans to investigate how to administer the rights of admission by going to visit another large charity that was operating such a system. They were also going to use the upcoming Gift Aid audit as an opportunity to ask the auditor how the system could work for them.

*"We don't do admissions yet. We're thinking about admissions. It's been one of those shall we, shan't we, because there have been a few people fallen foul of the admissions one, so I understand. And the law on the Gift Aided daily admissions was open to interpretation again. So we haven't gone along that line but we're thinking about it now. We are thinking about taking it up."*

Whilst the success of getting donors on board was relatively dependent on the types of fundraising techniques used, many successful charities tailored their own materials to give to donors. These materials often explained that Gift Aid was a simplistic process for the donor

and that tax already paid would then be diverted to the charity rather than kept by the government. An extract from some materials a charity used to get donors on board is as follows:

*“If you are an Income Tax payer, we can reclaim the tax paid by you on Family, Annual and Senior Citizen subscriptions and any other Donations. The Gift Aid regulations mean that you only have to sign the declaration overleaf and we will do the rest. It really is that simple.”*

Large charity

In contrast, there appeared to be less materials produced by charities that were irregular users of Gift Aid. Irregular users were less likely to chase donors and when they did, they rarely had their own materials that simplified Gift Aid in these terms. Because the process of Gift Aid was not clear to them personally, it was also a hard process to explain in simple terms. However, these irregular users of Gift Aid wanted to be armed with practical tools, such as letters and materials that would help donors understand how Gift Aid works.

Intermediaries often appeared to be more focused on how to present Gift Aid to the public. This was an integral part of their business model as they needed to be able to get donors on board to use their voucher giving accounts<sup>9</sup>. As would be expected given the focus of the intermediaries, making Gift Aid a simpler process was part of everything they did, and was often promoted through their website and on letterheads.

### **3.4 Administering Gift Aid as an ongoing process**

The analysis from this research tended to show that developing best practice administration processes for Gift Aid was a defining factor in separating those regular users that were confident, and the irregular users that were not. This would often involve strict and organised administration within the charities, which often stretched right across the administration spectrum. Large charities were often the most organised in consciously developing a best practice approach, some of whom (as highlighted in Case Study Four) negotiated with HMRC for the easiest and most efficient method to administer Gift Aid.

Where charities had a best practice routine for administering Gift Aid, they had often developed it themselves. On occasions charities did seek to learn from one another. This was seen as an effective way of getting to grips with the system, particularly in being able to avoid falling foul of what were considered some of the grey areas of Gift Aid.

A similar method of transferring knowledge regularly took place at very small charities. Very small charities often had a Trustee that acted as Treasurer and this position rotated amongst different Trustees intermittently. Where a Trustee passes on the role of Treasurer, they passed on details and methods of how that role is to be performed to the next Treasurer. However, many of these very small charities were repeating a method without having an in-depth knowledge of how the system works.

*“I suppose the trouble is that we’ve just carried on from before and not being in the organisation for years and years and know*

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<sup>9</sup> Voucher giving accounts allow donors to set up an account with an intermediary. When the intermediary receives the money, they will claim Gift Aid on the whole donation and then hold all the money in an account for the donor. The donor is able to direct the intermediary to give ‘vouchers’ to their charity of choice.

*generally what's happened. And just carried on from what the people did before."*

Very small charity

Individual staff members at charities were usually key to making Gift Aid an effective procedure. Charities did not dedicate much of their resources to administration, and combined with the belief that there was not enough sharing of knowledge within the sector, this made the individuals within each charity all the more important. Intermediaries and Stakeholders also felt that the effective administration of Gift Aid was reliant on individuals rather than any systemic success.

### **3.5 The cost of administration**

Whilst charities often reported they did not find claiming Gift Aid a simple process, there was a strong sense that Gift Aid was not the largest, nor the hardest of their administrative duties.

Irregular users of Gift Aid tended to have other administrative difficulties over and above the administration of Gift Aid. However, regular users of Gift Aid generally felt that they had the administration side of the charity under control, and they were aware of their duties in regard to administration.

Intermediaries generally felt that they were reducing the administrative burden on charities, or acting as their administration department. They also felt that they could be a positive influence on larger charities. As larger nationwide charities were often scrutinised about how much of an individual's donation actually goes towards the cause it was donated to, if the intermediary claims Gift Aid the large charity can actually say that the whole donation went towards the good cause. This is because they can reduce their own costs by employing fewer administration staff, and offset any extra costs against the Gift Aid that is claimed for them by the intermediary.

*"They can budget for our administration fee and, from their perspective, it's then a donation, so especially for the larger charities like [X] who like to show the ratio of how much of your pound has gone on administration and how much has actually gone to help children, because they're [X], but the admin has been paid for."*

Intermediary

There appeared to be mixed awareness throughout the sector about the role of intermediaries. The role of 'CAF cheques' and other voucher giving schemes were not always at the forefront of charities' minds. Irregular users seemed particularly unaware of the role that an intermediary could play in helping them claim Gift Aid.

### **3.6 The burden of administration**

Where the amount of time taken to administer Gift Aid was raised as a barrier, it was invariably linked to whether charities used Gift Aid regularly or irregularly. Regular users of Gift Aid rarely had issues with the amount of time it took to administer Gift Aid. These charities had processes in place and were confident of how the rules applied to their situation, making it a quick and efficient procedure.

Conversely, irregular users of Gift Aid were more likely to cite the amount of time as a barrier. This was a particular problem for charities that rarely or never used Gift Aid, as the perceived

time they felt they would need to understand the rules and procedures tended to put them off applying. Irregular users that simply did not feel confident using Gift Aid felt that time was a barrier because of the amount of uncertainty the process produced.

In a similar vein, space was often cited as an issue with Gift Aid. Irregular users of Gift Aid appeared to be keeping more data in paper format than those who were regular users of Gift Aid. Irregular users often feared ending up on the wrong side of the rules, so would end up keeping all their records by default. However, when charities mentioned space as a barrier to claiming Gift Aid, it was often a lack of knowledge about what they had to keep and what they did not have to keep. The association with 'tax' was used by irregular users of Gift Aid as reason to keep records for many years.

*"It's a fact of life, isn't it? It's like those are only invoices, you have to keep invoices as well. It's all paper, isn't it? You can't not keep these things. It's part of government, well not government necessarily, company practice, isn't it? You have to have data to prove that somebody signed it somewhere."*

Large charity

By contrast, regular users of Gift Aid, including even very small charities where no office space was owned by the charity, rarely raised space as an issue. Where charities did mention space as a barrier, it was rarely considered as large a barrier as the amount of time needed to process the claims.

Even where time and space were at a premium, several charities were aware that keeping good records was a key aspect to running a charity efficiently. These charities understood that it was important to keep an audit trail of all transactions as it would often save them time in the future.

This was regularly related to the Gift Aid audits. Whilst there was a strong sense that charities knew that Gift Aid audits existed, few knew any detail of what an audit entailed and when they are carried out. Charities that had kept good records as a matter of course, rarely felt that a Gift Aid audit would be a problem. Charities that knew little of the audit were unsure of how it operated and whether they would be audited.

Those charities that had experienced a Gift Aid audit tended to be happy and felt that the inspectors were amiable and helpful. Whilst not all participants welcomed the audit, there was an understanding that the audit would ensure that the processes they are going through are the right ones.

*"It was fine, because we'd got the computer programme, and we'd got everything listed on there, we'd also got the audit trail, so that's part of the audit trail, they've got the bank statements so that they can see those and I can understand, if you haven't got your back up, it would be difficult."*

Medium charity

### **3.7 Higher rate taxpayers**

Charities often stated they would like to receive the full amount of tax paid on any donation, which would include taxpayers that pay at the 40% higher rate. However, charities also seemed to understand there would be difficulties in implementing such a system in terms of

finding out this information. Charities often felt that any possible changes in regard to receiving higher rate tax relief might actually compromise the relationship they already had with their donors. This was particularly felt by very small charities where donors or members have a more personal or community affiliation with the charity, and divulging this level of information would be asking too much personal detail.

*“It’s how you actually know those people, because when people give a donation, it’s a personal thing, you don’t want to say are you sending the 40% range.”*

Very small charity

In addition, charities generally did not know if their donors were higher rate taxpayers. Intermediaries felt they had a stronger understanding about donors on a higher rate of income tax as many of their account holding forms of giving were used by higher rate taxpayers.

Indeed intermediaries felt that higher rate taxpayers preferred to use an intermediary because it meant that they only need give out their information once, as many higher rate taxpayers like to give to multiple charities throughout the year. They also felt that they were the preferred choice because it reduced any complications when submitting a tax return at the year end. By giving to an intermediary, donors would simply put down one donation on their Self Assessment return.

*“So although we charge an admin fee for our service it is easier for them from the point of view of doing their tax returns... They just say, how much have we paid to you in the last financial year? We tell them a given amount. And then that’s it, done. Whereas if they were paying out several hundred pounds in £20 or £30 lots, they would have to keep a list of all the different ones they do.”*

Intermediary

### **3.8 Awareness of changes to the system**

Well informed charities knew that there was an HM Treasury consultation on how to improve the take up of Gift Aid and the way that it works, although other charities were less aware. This awareness was due to the level with which staff engaged with the rest of the sector rather than the size of charity.

Two ideas for change occasionally came up spontaneously, which were to reduce the administration by relieving charities of the burden of proof when putting in Gift Aid claims, or to sever the tie between Gift Aid and Income Tax.

When prompted, neither idea was met with much enthusiasm. There was confusion as to how a system linked to income tax might work if the level of proof required were to be lessened. In regards to severing the tie with income tax, charities often wanted to know what it would be linked to instead, and felt that it should still be linked to some form of tax efficiency. The idea that charities would receive a form of Gift Aid that wasn’t linked to tax was not seen as a secure long term option, and the idea of Gift Aid being related to government spending measure was not warmly welcomed.

Intermediaries had similar feelings regarding potential changes to Gift Aid and felt that not having Gift Aid tied to Income Tax was seen as instability for the future. Despite the impending fall in income tax by two pence in the pound in April 2008 and the resultant effect it would have for the Third Sector, intermediaries often felt that long term security was more important than short term gain.

*“I can understand the attraction of saying keep it at 28 pence in the pound and remove it from the link with the basic rate of tax, and I think that that would probably be a very attractive short term solution. Longer term I’d be a bit concerned about actually severing that link between income tax and Gift Aid, because I think it would become all too easy in the future for a government that was a little bit strapped for cash to actually remove Gift Aid because it’s got nothing to do with income tax, and just play around with it to do with whatever they wanted.”*

Intermediary

Whilst these potential changes to the system of Gift Aid were not always met with much enthusiasm, charities were willing to explore other possible changes to Gift Aid which are highlighted in the subsequent chapter.

## 4. Attitudes to HMRC

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### Attitudes toward HMRC

There was a high level of understanding that HMRC was the Government Department that dealt with Gift Aid, with a few referring to the HMRC 'Charities Division'<sup>10</sup>. The extent to which charities contacted HMRC was generally driven by their size:

- Very small charities tended to employ volunteers who were experienced in dealing with financial matters to handle Gift Aid claims. Because of their expertise, they had few concerns about contacting HMRC as they knew they would be able to understand the advice given.
- Small and medium sized charities tended to devote the least time to administration. They saw this as being less of a priority when set against their other activities, such as fundraising. Consequently, their lack of experience in dealing with financial matters meant that some were reticent about contacting HMRC as they had little experience of the help and advice that the Department could offer them.
- Large charities often had dedicated administrative teams in place to deal with Gift Aid claims and, therefore, were able to build up a good relationship with the Department.
- Intermediaries regularly had more contact with the Department than charities. Intermediaries were satisfied with the service from the Charities Division and often stated that they had built up a good rapport with certain members of staff.

Many charities used the helpline to contact HMRC. This service was well received with participants describing the staff as knowledgeable, friendly and positive.

Alongside this, the HMRC website was often the first port of call for charities to search for information about Gift Aid. However, charities often found it hard to find the information they required and, furthermore, believed that the language used was full of jargon. Consequently, many charities turned to intermediaries to translate the information cited on the HMRC website.

There was little to suggest that charities' perception of HMRC influenced their perception or uptake of Gift Aid.

### 4.1 Working with HMRC

Charities' levels of understanding about HMRC's role and its range of services varied significantly, as did perceptions of the Department itself. However, nearly all participants knew that HMRC was the Government Department that dealt with Gift Aid, although few referred to the HMRC 'Charities Division' within HMRC.

Participants' overall views about HMRC's services did not affect their opinion of Gift Aid, although when participants had a positive interaction with the Department in dealing with Gift Aid, it sometimes increased their positive perceptions towards the Department as a whole.

The size of a charity inevitably had a strong bearing on how the charity was organised internally, particularly with regard to the type of staff that dealt with Gift Aid. To illustrate, in the

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<sup>10</sup> Although there is no single entity at HMRC called the 'Charities Division', participants regularly referred to the 'Charities Division' when talking about their interaction with the Department.

case of very small charities, members of staff that dealt with Gift Aid were commonly a Trustee of the charity. This meant that their work was carried out in a voluntary capacity. Among all the Trustees of these charities, the Treasurer was commonly the individual that administered Gift Aid and they were chosen to do so because of some previous or current expertise in relation to financial matters. This often meant that very small charities felt comfortable contacting HMRC and did not believe HMRC's forms to be a barrier in engaging with the Department.

*"I have a form, fill it in, send it off, receive a cheque"*

Very small charity

Similarly, large charities would often have dedicated and capable administration staff. Indeed, large charities would often have a dedicated department that dealt with Gift Aid as a part of its administrative duties. Consequently, these charities were willing to contact HMRC about any problems that they encountered, and were often positive about their relationship with HMRC.

*"Our experience is that the charities division of HMRC is extremely helpful, always willing to answer questions to help out and so on."*

Large charity

Small and medium charities tended to be the least consistent in the manner in which they were structured internally. Typically, within these organisations administrative duties were often of a lower priority when compared to other tasks such as fundraising. This often resulted in there being one, or a small handful of staff that performed the administrative duties for the charity. Furthermore, it was often the case that the member of staff dealing with Gift Aid performed the task on a part-time basis, or as one of many other unrelated jobs within the charity. As these organisations tended to lack experience in completing financial paperwork, they were often more reticent about contacting HMRC as they were unsure what kind of help the Department could offer them and, furthermore, whether they would be able to understand the advice given.

Intermediaries often had a more detailed understanding of the role and functions of HMRC and always referred to the 'Charities Division'. They often had regular contact and believed that the team were always willing to help. Several intermediaries had built up a rapport with members of staff, and one even suggested that one team member "deserved a gold medal".

*"And the charities division is different within HMRC, I've met quite a few of the people that work within there, and they have a completely different attitude. They have this pot of money and they are more than happy for charities to claim that money provided they do it in the right way, that's always the impression that they give us."*

Intermediary

## **4.2 Channels of communication**

### **Helpline**

There were very positive responses towards the Gift Aid helpline. Participants found the staff working on the helpline to be very knowledgeable, polite and friendly. Furthermore, their guidance was thought to be very valuable, for example, helping charities to put the systems in place in order to claim Gift Aid.

*“We haven’t claimed Gift Aid at all, until I think it’s about four years ago when I decided we should be doing something. So I contacted them and they were very, very helpful and got us all the forms.”*

Small charity

There were some participants, however, who were apprehensive about calling the helpline in the first place. Their perception of HMRC was that of an organisation which, at times, could be perceived as intimidating and one which may not be willing to help those in need of advice. Indeed the expectation of what the call would be like could act as a barrier to fostering a better working relationship with HMRC.

*“I’m assuming that we just then phone this helpline number down in Bootle and, as long as we’ve got our charity number, then that should be it and somebody should be able to tell us whatever happened to the claim and just, well it’s a bit unnerving ringing the Revenue and asking them for money”*

Small charity

The extent to which charities contacted HMRC had a bearing on their attitudes towards the Department. Charities that took a proactive and organised approach to their administration rarely felt any difficulty contacting HMRC, which was reinforced after their positive experience with the helpline. Those that were apprehensive about contacting HMRC did not often feel confident with administrative procedures overall, of which Gift Aid and dealing with HMRC was just one aspect.

Irregular users of Gift Aid tended not to feel comfortable contacting HMRC as their lack of confidence in administering the Gift Aid process acted as a barrier to contacting the Department. Instead, these participants often let the issue pass rather than getting in touch with HMRC to ask for help and advice.

## **Website**

The HMRC website was often the first source of information for charities when trying to find out about Gift Aid. However, there was a strong sense among charities that the website was hard to navigate which, as a result, made it difficult for some to find the information that related specifically to their query. This was commonly expressed by those that did not have dedicated administration staff and among those that were not used to dealing with HMRC.

*“It’s not been that user friendly”*

Small charity

These charities also expressed difficulties with the language used by HMRC on the site. It was perceived as inaccessible and dry, which added to their lack of confidence in using Gift Aid. Alongside the language, charities often felt that there was too much information to read, which added to the complication when trying to understand the system.

*“On the website, I had a bit of difficulty. [There was] a lot of literature to read and that was the hardest thing.”*

Very small charity

*"[There should be] a sequence of steps in one place and then details of each step might be in separate web pages."*

Very small charity

Indeed, the issues highlighted by the charities in relation to HMRC's website were also noted by the intermediaries and served to develop their role in relation to the charities. In effect, intermediaries often acted as an interpreter between HMRC and the charities by helping them find the information they needed and translating it into plain English.

*"One of the things that we do quite a lot of for clients is they'll ask us the question, we'll go and find the information on the HMRC website and feed it back to them because we know our way around that."*

Intermediary

*"I think the information on the website's very comprehensive.... And that's very, very, I think it's very clearly written and very easy to understand. But then we know our way around that website, it isn't always the easiest website to navigate."*

Intermediary

Intermediaries often felt it was in their interest to be in contact with HMRC as they have to keep abreast of the all the rules relating to Gift Aid. They often kept up-to-date through using the helpline. Whilst intermediaries were familiar with the website and knew how to navigate it well, they would only use the website to clarify specific issues.

## 5. Improving the Gift Aid experience

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### Summary box: Improving the Gift Aid experience

Charities came up with a number of suggestions as to how the Gift Aid system might be improved in the future. Firstly, many suggested that Gift Aid be promoted on a large scale. It was believed that this would help build donor awareness of Gift Aid and, furthermore, may make people more aware about donating to charity more generally.

Many felt that HMRC should take the lead role in promoting Gift Aid and helping charities learn how to administer it more efficiently. It was believed that HMRC was the best placed agency to help the third sector learn about Gift Aid as it has the best knowledge about how the system works.

### 5.1 Measuring the customer experience

As discussed in section 3.8, while charities were aware of the fact that there may be some potential changes to Gift Aid, the prospect of this was not always met with enthusiasm. However, participants regularly felt that there is a need to make changes in how Gift Aid is administered and communicated in the future in order to make it easier for them to claim and, furthermore, to encourage others to start doing so.

In order to assess the ways in which participants perceived there could be some changes it is useful to see how their current experience with Gift Aid is viewed. This, in turn, helps to identify the gaps which could then be filled. To do this, we have used HMRC's customer<sup>11</sup> experience statements as a basis for our analysis.

#### I know what I have to do

Charities were broadly knowledgeable about what they had to do to claim Gift Aid. There was a strong sense that charities understood what was involved in claiming Gift Aid and what HMRC required from them in order to make a claim. This understanding always started with the fact that they knew that they could claim Gift Aid on donations given by taxpayers, and that they had to get these donors to make a Gift Aid declaration.

Irregular users of Gift Aid knew little more of their obligations in claiming Gift Aid which represented a barrier. A key difference amongst the regular and irregular donors was that whilst the irregular donors knew the basics of Gift Aid, they did not know how to implement it. This lack of knowledge was commonly related to the early stages of the Gift Aid journey where charities would understand the principles behind Gift Aid, but fail to understand how to implement the process. This lack of knowledge was highlighted throughout the set-up stage of Gift Aid (highlighted in Section 3.1).

Regular users of Gift Aid often felt that they knew the system well. These charities often knew what they had to do in order to claim Gift Aid based on their individual circumstances, which often meant their knowledge was fairly compartmentalised with regard to making claims.

There was also a sense that where charities encountered the 'grey areas' of Gift Aid, charities did not understand what they were supposed to do. This regularly led to inaction as charities over-regulated themselves by not wanting to claim fraudulently.

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<sup>11</sup> The customers in this case being the charities which participated in the research

### **I feel you make it easy**

The customer experience of dealing with HMRC was particularly positive from those that had contacted the HMRC helpline. There was a strong sense that the help they were given over the phone was simple and easy to follow, and that there was a swift response from the Department. In relation to claiming Gift Aid, charities were regularly impressed with the speed with which HMRC would return money to them.

Charities that had not contacted the department found it less easy to claim Gift Aid. The website and the forms were often seen to be unnecessarily difficult to understand and the language used was often described as jargon.

There was a strong sense amongst many charities that HMRC had not made the rules clear. Participants regularly felt that there were too many grey areas regarding what was acceptable to use Gift Aid on, and what was not. This was commonly felt to be the case in regard to what could be treated as a donation.

### **I can contact you easily and get the answers I need**

Making contact with HMRC and getting the relevant answers depended largely on the mode of contact that participants used. Participants that had contacted the helpline felt that staff were helpful, trusted and polite, with many participants expressing surprise at such a good service. Those that rang always received the information they needed and their experience meant that they would use the service again.

Charities would often use the internet as the first port of call when they had a query. The HMRC website was not considered an easy way to get the answers that they needed, as they found it hard to find the relevant information, and difficult to understand.

There was a strong sense that many charities did not know about the helpline service, and some that did know were not always inclined to use it as they did not feel comfortable contacting HMRC. This led to a reliance on sources from the internet and leaflets which were not considered accessible or easy to understand. It did not, however, prompt charities to seek the help of intermediaries.

### **I can rely on you to get it right and I am confident I have got it right**

Charities rarely questioned whether the Department had got the processes of Gift Aid right. This related to advice on the helpline, the amount of money received at rebate, and any other contact participants may have had. HMRC was seen to be the definitive knowledge on Gift Aid and how it functions and, consequently, the information provided by the Department was perceived as being trustworthy and authoritative.

As Gift Aid is a self-assessed rebate that is sporadically audited by HMRC, charities felt that the burden was upon them to get it right. Regular users of Gift Aid often felt confident that they had got their Gift Aid claim correct, whilst irregular users did not feel confident.

Irregular users that did not feel confident about having got the process right often cited a lack of knowledge on some of the more complex areas of Gift Aid. This was often centred around whether the declaration they had was correct, and who the onus of responsibility was upon to get it right.

## **I feel well treated**

Many participants that had made contact with HMRC felt particularly well treated by the staff at HMRC Charities office. This positive response from speaking to HMRC staff often meant that participants felt inclined to re-contact if they were to have any other queries.

## **5.2 Improving Gift Aid**

By mapping participants' experiences onto the customer experience framework, it is possible to identify the areas where they felt there could be some improvements to how Gift Aid works. In the main, these related to how it is communicated. Participants' suggestions as to how this could change in the future are highlighted throughout the remainder of this section.

### **5.2.1 Promoting Gift Aid**

A key message from charities, of varying sizes, was that Gift Aid could be promoted better. There was a strong feeling amongst charities of all sizes that the term Gift Aid was a recognisable term for both charities and their donors, it had good associations attached to it and was a brand to be capitalised upon and promoted. This created a positive core image for Gift Aid.

However, there was a strong sense amongst charities that they wanted to know more about Gift Aid and how they could be making best use of it. Charities often expressed that they would be more confident about what they were doing if Gift Aid were better promoted.

In promoting Gift Aid, it was often felt that if there could be a cultural shift towards understanding what Gift Aid was for, it would help charities in claiming Gift Aid. As a way of promoting this, it was considered by some charities that they would like Gift Aid to be part of our national culture. Along the same lines, if there was a larger scale understanding about Gift Aid, it would go hand in hand with making the public aware about giving money to charity.

*"I would make Gift Aid part of our culture, a giving culture. That would be my message, and then it just makes it easier for everybody else."*

Large charity

When charities were describing the methods by which it would be best to promote Gift Aid, it was often in terms of reference to common promotion concepts. A national campaign was cited by a number of charities as the best way to advertise Gift Aid. More conventional media sources such as television and radio were often believed to be appropriate, which would have the advantage of targeting both charities and donors. This could then be followed up by charities in targeting their donors for declaration forms.

*"Unless there were some sort of television advertisements, that sort of thing, newspaper advertisements for the general public in the same way they do the, don't forget to do your tax return, adverts.... it would be nice to have some sort of a public national campaign and then we'd do a mail shot to follow up. I think that's what we'd do, isn't it? And we wouldn't expect to then have to explain it all in detail again."*

Large charity

It was often felt that the promotion of Gift Aid should be a simple and coordinated approach designed to raise awareness as much as to teach charities and donors. It was often considered that raising awareness would act as enough of a lever for charities to take action in the future.

## 5.2.2 The role of HMRC

Charities felt HMRC should take responsibility for promoting Gift Aid and often came up with practical examples that HMRC could use. There was also an underlying sense that if HMRC were to take the lead on promoting Gift Aid it would also look good for the department.

*“I don’t know whether the Revenue could be proactive and say look, you’re a registered charity, is this something you should be doing? I know they’ve got 101 things to do, but would that help? And that, certainly, would raise the profile for HMRC, be fantastic, giving money away.”*

Large charity

A common reason for citing HMRC was that all charities had contact with them. It was felt that because HMRC had all the details of charities they were already well equipped to be talking to charities. It was also felt that HMRC should know which charities claim Gift Aid and which ones do not, which could ensure that any campaign to boost the participation in Gift Aid would be able to target charities that do not currently use Gift Aid.

Another reason cited for HMRC to take the lead role in promoting Gift Aid is that they felt they can trust the Department to get it right. There was a sense that Gift Aid is a complicated process and HMRC is a credible authority to help guide them through it. This was particularly true for charities that had contacted the helpline. Charities that had not done so were slightly more hesitant in feeling that HMRC should take the lead role as they felt that whilst HMRC understood Gift Aid the best, they may not be the most appropriate agency to explain how it works. This was largely based on their experience of using the website and filling in the forms, which reminded them of the difficulty in understanding HMRC communications.

The most common practical method of communicating with charities was often thought to be through current communication channels. There was a strong sense that charities felt that annual returns to the Charity Commission were the most obvious communication channel to promote Gift Aid and that these were currently under-utilised.

*“If they went out to charities and just said in their annual return, because they don’t in the return, it just says your return has to be in by this date, whatever, if they just put something in there, did you know how easy it was to claim Gift Aid? They’d make a lot more people aware.”*

Small charity

*“Tell me on the charity’s annual review. That, you haven’t claimed Gift Aid, this is how you would do it. So in other words, they know I haven’t claimed Gift Aid, they know, so, they will then say in my annual review, dear Treasurer, whilst you’re doing the annual return, did you know that you could also claim Gift Aid?”*

Very small charity

It was also suggested that HMRC should approach charities in a more active and engaging manner. Some participants said that they would welcome the idea of training courses or

workshops, which would act as a simple lesson in how to administer Gift Aid effectively. Many of these participants felt that they would like HMRC to take on this role as they would trust the Department to arm them with the “practical tools needed for Gift Aid”.

A common suggestion that charities raised was to be given a set of materials that charities could use throughout the Gift Aid journey. This would include materials on how to apply for Gift Aid with simplified forms, and simple materials that they could pass on to donors.

Some specific examples included materials that charities could give to donors explaining Gift Aid. Preferably these would be downloadable from the internet and would include a space in the letterhead to add the charities logo. It was suggested that these materials would be jargon free and be available as a ‘download pack’ from a dedicated website ([www.giftaid.gov.uk](http://www.giftaid.gov.uk) was suggested). There was a strong sense that this website should not be part of the current HMRC website, but as a standalone site so it would not confuse charities with other HMRC activities.

### **5.2.3 Using national bodies**

The concept of being armed with practical tools at a seminar or workshop came up in regards to other national affiliation bodies. There were a number of charities that belonged to larger organisations that they were affiliated to, such as the Women’s Institute, or the National Confederation of Parent Teacher Associations. Those that felt that there needed to be wider knowledge in the sector about Gift Aid pointed to national bodies that they already had communication with to take a lead. Indeed many of these charities would often attend an event or seminar at least once a year and felt that promoting Gift Aid in this way could be added to current activities on offer.

The newsletter that they received from their national bodies was also held in high regard. Many of these charities already received ideas from their national bodies about innovative fundraising techniques and methods of running the charity. These charities often looked at the magazines and newsletters provided by the national bodies and treated current communication from them as a valuable source of information that should be developed to include Gift Aid. It was also suggested that HMRC could approach the national associations to encourage them to take action.

There was a strong sense that if charities found it easier to access simple, understandable information that they could immediately tailor to their individual needs it would reduce the burden in setting up Gift Aid.

### **5.2.4 Reducing the burden**

One of the key messages that came through from more irregular users of Gift Aid was that they would like to see a degree of administrative burden removed. This was more commonly expressed by the irregular users of Gift Aid as they were often the charities that struggled more with the general administration of their charity.

*“I still think that one of the key messages is that it needs to be made as easy as possible for organisations that do not have a lot of administration resource. If they really want to give more of their money away then it has to be made easier or persuade charities to get over their perception that it is difficult.”*

Medium charity

There were few coherent suggestions of how to reduce this burden. Suggestions included removing the level of proof for donations below a certain threshold, or having a given percentage of donations that could receive Gift Aid regardless of the donor. Whilst these suggestions did emerge from participants, few remained convinced that it was a practical way forward.

Once a charity had established how to claim Gift Aid, the biggest burden that charities seemed to feel throughout the Gift Aid journey was in regard to chasing donors to make declarations. There was an impression that donors did not always feel comfortable divulging their personal information. Those that found this a concern suggested that either the level of proof be reduced, or that a concerted campaign raising the profile of Gift Aid might help minimise this.

Chasing donors appeared to be the largest single resource expended on Gift Aid after the set-up process. Chasing donors often meant producing materials for the donors to understand, mailing out follow-up forms when original forms were not returned, and on occasions phoning the individuals involved to encourage them to sign up.

Whilst there was a sense that much of this process could not easily be alleviated, charities of all sizes often thought that if they had some guidance on how to produce materials, and which methods were most effective at getting donors on board, it would be a substantial help.

One of the barriers throughout the sector was the perception that Gift Aid was a difficult process to administer. Overcoming this perception was seen as a barrier that could be helped if they were to receive guidance on effective administration and finance techniques.

### **5.2.5 Clarifying the rules**

There was a belief that the rules of Gift Aid were not particularly clear and charities were not always sure they were interpreting them correctly.

*“They have a very big concert. And they have a programme and obviously some company will say, well I’ll have a full sheet, that’s £500 or £1,000. And then we’ll have one that’s only £250. Now do you know if those sorts of amounts are actually Gift Aidable or, because it’s coming from a company or a foundation, that it’s not Gift Aided? Somebody needs to clarify this.”*

Small charity

There was a general sense of over-regulation when interpreting the rules. Whilst the rules need to be clarified for those that extend the spirit of the law in regard to Gift Aid, over-regulation is actually acting as a barrier to uptake.

Participants that were less knowledgeable about Gift Aid often wanted to understand the rules of Gift Aid better.

*“Removing some of the restrictions would actually make it easier for us to participate in the scheme... To be honest it needs to be a lot clearer.”*

Medium charity

As mentioned in the previous chapters, there is a divide between perception and experience. Experienced users of Gift Aid did not find it a complicated system which highlights that if other charities are able to experience Gift Aid in the same manner, their perception of the difficulties associated with claiming Gift Aid is likely to diminish.

### 5.2.6 Simplicity

Making the rules understandable and simple to use was a common theme running through the research. Where participants felt that they wanted the rules explained, materials provided, and on occasions the rules to be changed, this was accompanied by a message that any changes or clarifications should be simple.

There was a strong sense that charities would be better equipped to deal with Gift Aid if they knew what was required of them. If the rules of Gift Aid were simple, or were *perceived* to be simple, more charities would know what they have to do. There was a strong sense that if this was to happen, many more charities would take advantage of Gift Aid, particularly increasing the number of charities administering Gift Aid, as well as charities claiming Gift Aid on more donations.

Accompanying this drive towards making the rules simple was a desire to see the rules of Gift Aid stay the same. Once the grey areas are clarified and the journey is clearly explained, Gift Aid should appear not to change for a period of time. This would allow the sector to understand current provisions available to them at their own speed, and enable the sector to develop a common understanding of Gift Aid.

## 6. Conclusion

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Overall, there are many positive messages to take from this study. Gift Aid was viewed very positively by all charities and, furthermore, was felt to have had a real impact on the work of the Third Sector; smaller charities, in particular, spoke at length about the wide variety of activities they were able to undertake as a result of this additional revenue stream.

In spite of this though, the research highlights how there are a number of clear barriers which can prevent charities from claiming Gift Aid – either at all, or on a proportion of the donations received. Awareness of how Gift Aid works was key to this and was an issue affecting smaller charities in particular who often lacked dedicated resources to deal with such matters.

This lack of resources also posed problems in relation to registering for Gift Aid in the first instance. For example, smaller charities felt less able to cite a named contact who would deal with all Gift Aid queries and, therefore, found it difficult to complete the forms they needed to. Beyond this, finding out about Gift Aid was also a barrier raised. Not only did some charities feel they lacked the time to do this over and above their immediate priorities (such as fundraising) but, moreover, the information received was sometimes felt to be too hard to understand.

Consequently, when considering how to improve the Gift Aid experience, communications will be key. Many were keen for Gift Aid to be promoted on a national scale and believed that this would have the dual impact of educating not only donors but also the charities themselves on what they can and cannot claim on and how they need to do this.

Furthermore, HMRC was seen to have a role to play in this. Of all the charities we engaged with that had regular contact with the Department, their experiences of this were positive. Staff were praised for their friendly manner and, in particular, the telephone helpline was seen to be a useful source of information and advice. It was believed that if HMRC could take the lead on any campaign promoting Gift Aid then it would get the national attention that it deserved and, furthermore would be taken seriously by those in receipt of this as the information would be from an authoritative organisation.

Overall, the barriers to claiming Gift Aid tended to be related to how charities perceived the processes involved and, more fundamentally, the ways in which their own internal systems were organised. Often, this had a direct correlation with the size of the charity with those larger charities having more resources at their disposal in order to facilitate efficient systems and processes. However, it is important to note that the barriers to claiming Gift Aid were rarely related to how the policy itself is implemented in practice. Because of this, clear and targeted communications – for both charities and the general public – may help to overcome any hurdles and increase take-up rates going forward.

# Appendices

## Appendix A

### Identify the Key Barriers to Gift Aid Adoption

#### Depth interviews: With charities and voluntary sector organisations

Discussion Guide – 24<sup>th</sup> August 2007

#### Core objectives

To explore the experiences of a range of charities towards their usage of Gift Aid, and how it could be changed so that they might make more use of it.

Specifically;

- Uncover charities' general perception of Gift Aid;
- To explore their experiences of using Gift Aid;
- To ascertain how using Gift Aid compares with other forms of tax efficient giving;
- To understand the barriers that exist with regard to using Gift Aid and how this differs according to the type of charity; and,
- Determine potential changes which may help to increase the take-up of Gift Aid going forward.

#### Interview overview

<b>1. Introduction and background</b>	Sets the scene and gets background information on interviewee	5 mins
<b>2. Methods and importance of fundraising</b>	Gives an insight into how the charity raises money, who normally donates to them, and the amount of importance they place on fundraising.	5 mins
<b>3. Experience of, and attitudes towards HMRC</b>	Grounds the discussion and explores their experiences to date. This will provide the moderator with useful context and may also underpin charities' attitudes towards Gift Aid.	5 mins
<b>4. Perceptions of Gift Aid</b>	This will explore how Gift Aid is perceived within, and outside, the charity. Be sure to probe into awareness and understanding of Gift Aid from the charities' point of view and the point of view of the donor.	7 mins
<b>5. Experiences of Gift Aid</b>	To examine how charities use Gift Aid in the running of their organisation. This will relate to their size, and size of donation, and how much capacity they have as an organisation.	7 mins
<b>6. Barriers to using Gift Aid</b>	Allow this part to be relatively free	10 mins

	flowing but participants will be encouraged to think into the complexity of the system, the balance of administrating Gift Aid and the amount of tax reclaimed, internal resources, and whether the type donation makes a difference.	
<b>7. Critiquing Gift Aid with comparisons to other forms of Tax efficient giving</b>	Move to a direct comparison with Payroll giving and share giving. Probe into positive and negative aspects of each, whilst discovering how Gift Aid could learn from other schemes.	5 mins
<b>8. Potential changes to Gift Aid</b>	Having discussed the intricacies of Gift Aid, this will help explore practical methods of how Gift Aid could be changed to lower the barriers based on their experiences.	10 mins
<b>9. Conclusions</b>	Summarising the key perceptions and desired changes.	5 mins

	Notes	Approx timing
<b>1. Introduction and background</b>		
<p><b>1.1 Scene-setting:</b></p> <ul style="list-style-type: none"> <li>• Thank participants for taking part</li> <li>• Introduce self, Ipsos MORI, HMRC and CAF, and explain the aim of the interview</li> <li>• Role of Ipsos MORI – research organisation, to gather all opinions, all opinions valid, changing mind is OK</li> <li>• Confidentiality: reassure participant that all responses are anonymous and that information about individual cases will not be passed on to any third party (e.g. HMRC or CAF)</li> <li>• Assure them that you will not report back the specifics of each individual case – you are just here to gather views</li> <li>• Get permission to tape record – transcribe for quotes, no detailed attribution</li> <li>• Overview of why research is needed</li> <li>• Ensure that participants know we want a comparison between the views of those who do and do not use Gift Aid</li> <li>• Confirm we will be discussing: Gift Aid, HMRC, other forms of tax-advantaged giving</li> </ul> <p><b>1.2 Introduction and background info:</b></p> <ul style="list-style-type: none"> <li>• What are your names?</li> <li>• Please briefly describe your job/role, the organisation (size/type of work) you work for, how long you have worked here for.</li> <li>• What do you do on a day-to-day basis? What do you enjoy about your job? And what do you find challenging? Why is this?</li> </ul>	<p><b>Welcome:</b> orientates interviewee, gets them prepared to take part in the interview  Outlines the ‘rules’ of the interview (including those we are required to tell them about under MRS and Data Protection Act guidelines)  <b>The need for research:</b>  Current government consultation on encouraging higher adoption of Gift Aid. Charities are not making full use of Gift Aid and are therefore losing out on income.  <b>Introduction:</b> provides contextual background information about the interviewee (which can then be used in the analysis).</p> <p><b>Moderator</b> Some participants may be trustees / volunteers (especially in smaller charities) and may not have a specific job as such. Probe into role and activities instead</p>	5 mins

2. Methods and importance of fundraising		5 mins
<p><i>Discussing the methods and importance of fundraising:</i></p> <ul style="list-style-type: none"> <li>- What types of methods do you use to raise money? <i>[PROBE FULLY – Internet? On streets? Subscriptions? Direct Debit? Ad hoc fundraising through more formal events? Managing assets and investments? Chargeable services?]</i></li> <li>- Which of these are most important to your organisation? Why do you say this? <i>[PROBE – have you deliberately targeted this method? Clarify how they are important? Strategic direction? Profile? Financially?]</i></li> <li>- What percentage or proportion of your fundraising comes from each method? <i>[PROBE - reliance on single or multiple methods of fundraising]</i></li> <li>- Has this always been the way the charity has raised money? <i>[PROBE - What kind of fundraising have they done before, what made them change? What are the benefits / disadvantages of this?]</i></li> <li>- What kind of methods do they envisage using in the future? <i>[PROBE – Are their fundraising methods going to change? Is there a ‘Third Sector’ agenda that is changing the way they work, raise money?]</i></li> <li>- What proportion of their income does fundraising constitute? <i>[PROBE – Do you get income from other sources? Which ones? Would you try to get service agreements? Do you provide other chargeable services?]</i></li> <li>- To what extent does your organisation have a fundraising strategy? What does this set out to do? What are the main aims and objectives of it? <i>[PROBE – has this always been the case? What were important factors in putting the strategy together?]</i></li> <li>- Who is your typical donor? <i>[PROBE - Describe them to me?]</i></li> <li>- Is your fundraising emphasis geared more to getting new donors on board, or holding on to existing donors? Talk me through how this works?</li> <li>- How much is your typical donation? <i>[PROBE - for min / max donation size, regularity of donors, how many donations do you receive a year]</i></li> <li>- How many people in the organisation deal with donations and finances? <i>[PROBE – Is this sufficient? Why do you say this? How many would you like to have?]</i></li> </ul>	<p>Discover more about the participants’ charity. Moderator should get a feel of the monetary concerns of the charity.</p> <p><b>[MODERATOR – please note service agreements are normally contracts for services between local authorities and charities to provide a local service e.g. care for the elderly.]</b></p>	

3. Experience of, and attitudes towards HMRC		5 mins
<ul style="list-style-type: none"> <li>- What kind of contact does your organisation have with HMRC? <i>[PROBE – tax returns, Gift Aid...]</i></li> <li>- And, generally, how do you find this? Why do you say this?</li> <li>- And how would you describe your relationship with HMRC? Why is this? <i>[PROBE - What kind of customer service does it provide?]</i></li> <li>- What do you expect from HMRC when using its services? <i>[PROBE – More / less contact, more / less information, helpline]</i></li> <li>- How do you think your relationship with HMRC could be improved? Why do you say this? What difference would this make to you and your organisation?</li> </ul>	<p>This section will allow us to understand how their fundraising method overlaps with their interaction with HMRC. The moderator can build up a picture of how the organisation functions monetarily. Interviewers need to make it clear at the start of this section that they want general views about dealing with HMRC here and that respondents will get the opportunity to talk about the Gift Aid process later in the interview. It will also help the moderator direct his/her questioning during the rest of the interview, by finding out at this early stage any particular issues that the participant/s tend to focus on when they think and reason about HMRC. It may appear that attitudes to HMRC are reflected in attitudes to Gift Aid.</p>	<p>10 mins</p>

4. Perceptions of Gift Aid		7 mins
<ul style="list-style-type: none"> <li>▪ How aware are you of Gift Aid? <i>[PROBE – level of understanding of scheme? How long have they known about it?]</i></li> <li>▪ How did you find out about it? <i>[PROBE – where did the information come from? How understandable was this? And how credible was the information you received?]</i></li> <li>▪ And how far do you understand how Gift Aid works? To what extent is it clear what it applies to and what it does not apply to</li> <li>▪ How would you go about finding more information on Gift Aid? <i>[PROBE - is it Easy? Hard?]</i> Where would you go to look for this information?</li> <li>▪ What else do you need to know about Gift Aid? <i>[PROBE – What else would you like to find out about Gift Aid?]</i></li> <li>▪ How aware do you think most donors are about Gift Aid? Why do you say this?</li> <li>▪ Of those who know about Gift Aid, how many of those choose to use Gift Aid? Why do you think this is? And why do others not use Gift Aid?</li> <li>▪ To what extent do you think that Gift Aid encourages people to donate to charity? <i>[PROBE – If there was no Gift Aid contribution would they still give?]</i></li> <li>▪ What kind of impact does Gift Aid have on your organisation? <i>[How much does it contribute to your organisation? What are the benefits aside from additional revenue? Do you know anything about higher rate relief in Gift Aid?]</i></li> <li>▪ What kind of impact do you think that Gift Aid has on the Third Sector as a whole? Why do you say this?</li> <li>▪ Would you recommend the scheme to other charities that are not using it? When recommending it, what would you say were the main advantages of Gift Aid? Why do you say this? And what reservations would you express? Why is this?</li> <li>▪ Do you promote Gift Aid to your donors? If so, how?</li> </ul>	<p>Some basic questions re Gift Aid – keep section short – don't spend too much time prompting To follow on neatly from the last section, refining perceptions to Gift Aid. Will inevitably underpin their usage of Gift Aid. Moderators will be briefed on how Gift Aid works prior to interviews</p>	

5. Experiences of Gift Aid		7 mins
<ul style="list-style-type: none"> <li>▪ How much money do you receive per year from Gift Aid? <i>[PROBE – Rough figure as percentage of income? What would happen if you didn't receive this amount?]</i></li> <li>▪ What kind of donations do you tend to claim Gift Aid on? <i>[PROBE – For size of donation, method of donation]</i></li> <li>▪ Why do you not use Gift Aid on other kinds of donations? What prevents you from doing this? And how do you feel about this?</li> <li>▪ What proportion of your donors giving large sums of money use Gift Aid? <i>[PROBE – How important are they to your fundraising? Have you tried to change this?]</i></li> <li>▪ What is the balance between the amount of time put in to submitting Gift Aid claims and returns that you make? How do you feel about this?</li> <li>▪ Do you have a standardised process for submitting Gift Aid claims? <i>[PROBE – Can you talk me through it?]</i></li> <li>▪ How easy do you find Gift Aid to administer? How much time does it take your organisation to administer Gift Aid? <i>[PROBE - How often do you out in a claim? Can you put a figure on it? What does this translate to monetarily?]</i></li> <li>▪ How far would you say that you have adequate information to submit Gift Aid claims? <i>[PROBE – How much time do you spend finding the other pieces of information you need? What impact does this have on you and your organisation?]</i></li> <li>▪ If you have had a Gift Aid audit, what impact did this have on you and your organisation?</li> <li>▪ To what extent has the amount of Gift Aid you claim changed over the years? <i>[PROBE – what prompted the change? Why? When?]</i></li> </ul> <p><b>Moderator:</b> If you are a charity using Gift Aid on rights of admission:-</p> <ul style="list-style-type: none"> <li>▪ Do you operate a right of admissions entry fee that claims Gift Aid?</li> <li>▪ What is your experience of using Gift Aid and what are the challenges?</li> </ul>	<p>Explore how the charity's experiences of Gift Aid. Participant can talk through the process with moderator, stopping to highlight particular aspects, and pointing out what aspects work and which do not work so well.</p> <p>Gift Aid can be used when charitable organisations allow free entry to their property and a donation is paid to them in return e.g. Museums.</p>	

<p><b>6. Barriers to using Gift Aid</b></p>	<p>We need to focus on what are seen as the main barriers to using Gift Aid</p>	<p>10 mins</p>
<p><i>We spoke at the start about this research being about identifying the barriers to Gift Aid Adoption. Having discussed how your charity raises and deals with its finances, we now want to identify what those key barriers might be.</i></p> <ul style="list-style-type: none"> <li>- Thinking generally, what do you think are the biggest barriers to using Gift Aid? Why? <i>PROBE FULLY</i> <ul style="list-style-type: none"> <li>o <b>Time:</b> - <i>do you have dedicated staff to deal with Gift Aid? (and if no, do you believe you need them? Of those staff that deal with Gift Aid, how much of their time is spent administering Gift Aid? And how easy is it to accommodate this time?)</i></li> <li>o <b>Knowledge:</b> - <i>Do you know how to claim Gift Aid? Do you know how to find the information that tells you how to claim Gift Aid? Is the information understandable? Do donors know what they need to do?</i></li> <li>o <b>Resources:</b> - <i>do you need dedicated systems to deal with Gift Aid? How far are these systems cost-effective? If you could afford a member of staff to deal solely with Gift Aid would it be cost effective? Do you have to re-contact donors and ask them to opt-in for Gift Aid? Do you supply extra documents for donors telling them why they should allow Gift Aid? How do you keep track of your donors, donations and claims? Do you have the filing space to keep all records of donations?</i></li> </ul> </li> <li>- What concerns do you have when using Gift Aid? [<i>PROBE – What experience are these concerns based on?</i>]</li> <li>- How has this influenced your use of Gift Aid in the past? And how might this influence your use of Gift Aid in the future? What might change this?</li> <li>- What is the impact on your organisation of not using Gift Aid on all received donations? [<i>PROBE – How much money? How much time saved?</i>]</li> <li>- What other issues have prevented you from using Gift Aid in the past? [<i>PROBE – Time? Knowledge? Resources? Other?</i>]</li> <li>- And what stops individual donors using Gift Aid? [<i>PROBE – Time? Knowledge? Resources? Other?</i>]</li> <li>- What concerns do you think individual donors have</li> </ul>	<p>The moderator should try to let the participant respond spontaneously and freely to see what their initial thoughts are. This will allow us to gauge what the initial known barriers are. Participant can talk through the process with moderator, stopping to highlight particular aspects, and pointing out what aspects work and which do not work so well.</p>	

<p>when deliberately not allowing Gift Aid adoption? Why do they have these concerns? Do you agree with their concerns?</p> <ul style="list-style-type: none"> <li>- ASK TO SMALL AND MEDIUM CHARITIES ONLY (£0-10K, £10K – 250K) What (kind of assistance will) do small charities need in order to overcome barriers to Gift Aid? [<i>PROBE – allow spontaneity</i>]</li> <li>- Looking ahead, how might you change current barriers? Can you envisage any other barriers in the future that might crop up? Do you know of any barriers in the past that have been overcome?</li> </ul>		
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7. Critiquing Gift Aid with comparisons to other forms of tax efficient giving		5 mins
<ul style="list-style-type: none"> <li>- Do you use other forms of tax efficient giving? <i>[PROBE – Do you use Payroll giving? Or share giving?]</i></li> <li>- IF YES:               <ul style="list-style-type: none"> <li>o How regularly do you use this form of giving? <i>[PROBE – why has this method been chosen?]</i></li> <li>o How much money do you receive through this method? <i>[PROBE – How does this compare to overall income? How does it compare to Gift Aid?]</i></li> <li>o Who normally uses this method? <i>[PROBE – Why do they choose this method? Have you advised them on this?]</i></li> <li>o What size of the average size of donation? <i>[PROBE – How does this compare to other donations?]</i></li> <li>o What advantages and disadvantages does this method have for you? <i>[PROBE – Time? Knowledge? Resources?]</i></li> <li>o What advantages and disadvantages does this method have for the giver? <i>[PROBE – Time? Knowledge? Resources?]</i></li> <li>o Do you promote this as a form of giving? Why?</li> <li>o What are the good and bad points in comparison to Gift Aid? <i>[PROBE FULLY – Time? Knowledge? Resources?]</i></li> </ul> </li> <li>- IF NO:               <ul style="list-style-type: none"> <li>o Have you looked into this form of giving? <i>[PROBE – If yes, What were your conclusions? Why didn't you promote it? If no, Why not?]</i></li> <li>o What has put you off using these methods? <i>[PROBE – Time? Knowledge? Resources?]</i></li> <li>o What has put donors off using these methods? <i>[PROBE – Time? Knowledge? Resources?]</i></li> <li>o Would you consider changing to use other forms of tax efficient giving in the future? What? Why?</li> </ul> </li> <li>- What other methods of tax efficient giving are particularly useful? Why?</li> </ul>		

8. Potential changes to Gift Aid		10 mins
<ul style="list-style-type: none"> <li>- How would you change Gift Aid in order for you / others to take better advantage of it?</li> <li>- PROBE POTENTIAL IDEAS (IF NECESSARY): <ul style="list-style-type: none"> <li>o <i>Would an advice line at HMRC encourage you to claim Gift Aid?</i></li> <li>o <i>Should Gift Aid be administered in a different way? How?</i></li> <li>o <i>What difference would it make if the general public were more knowledgeable about tax efficient giving? How could this be done?</i></li> </ul> </li> <li>- If you were going to redesign the system of Gift Aid, how would claims be processed? What other changes would you make? Why is this so important? What difference would it make?</li> <li>- How should people like you be consulted on potential changes to Gift Aid? Why do you say this? Do you want to have a say in how Gift Aid is reformed? Why is this?</li> <li>- Are you aware of the government consultation on encouraging the uptake of Gift Aid? Would you consider feeding into it? Why? / Why not?</li> <li>- How should HMRC communicate any changes they may make to Gift Aid? [<i>PROBE communications to charities and to donors</i>]</li> </ul>	<p>Main part of the interview. Allow participant to speak spontaneously spurred on from everything mentioned so far - little prompting may be required – only if necessary.</p>	

9. Conclusion and key message		5 mins
<ul style="list-style-type: none"> <li>- Thinking about everything we have discussed today, what is the main message you would like us to take back to HMRC and CAF about Gift Aid generally, and specifically what the barriers might be. [INTERVIEWER NOTE: relate to moving barriers rather than whether or not change should happen]</li> <li>- And is there anything else we haven't discussed that you think is relevant?</li> <li>- Confirm that incentive (£50) will be sent in post.</li> <li>- THANK AND CLOSE</li> </ul>	<p>Formally ends the interview and provides reassurance that the findings will be both appreciated by and useful to HMRC and CAF.</p>	

## Appendix B

### Recruitment Questionnaire – Intermediaries and Stakeholders

24<sup>th</sup> August 2007

J31291

**Identifying the Key Barriers to Gift Aid Adoption**

RESPONDENT RECRUITED FOR:
Face to face depth interview:
<b>RESPONDENT NO:</b>

<b>Charities</b>	Date:	tbc
	Time:	tbc
		<p><b>Intermediaries and Stakeholders</b></p> <ul style="list-style-type: none"> <li>○ 10 respondents to be recruited for depth interviews approximately 1 hour long</li> <li>○ 5 of these to be a paired depth</li> <li>○ Incentive of £50 donation to a charity</li> </ul>
	Venue Details:	At the offices

**Good morning/afternoon/evening, My name is . . . . . from Ipsos MORI, an independent market research company. I'm calling to invite you to take part in an interview as part of our research on behalf of HM Revenue and Customs (formerly known as Inland Revenue) and the Charities Aid Foundation. HM Revenue and Customs wants to understand why charities do or don't use Gift Aid, and how it might change the system to run more smoothly for you in the future. The interview will give you the chance to talk freely about your experiences using Gift Aid, and to give honest feedback on how you would like to see Gift Aid improved. Your responses will feed into a government consultation about making Gift Aid more accessible, and recommendations from this research will be reported back to HM Revenue and Customs. We are completely independent of HM Revenue and Customs and the research process will be conducted wholly by us. Ipsos MORI conforms to strict Market Research Society rules governing confidentiality and you comments and views would not be attributable to you unless you requested otherwise.**

**The meeting will take place in your offices at a time that suits you. The interview will be conducted by one of our senior researchers and should last no more than one hour. As a thank you for your time we would like to offer a £50 donation to your charity.**

Q1. Would you be interested in taking part?

	Yes	1	CONTINUE
	No	2	CLOSE

We are looking for particular groups of people to make sure a cross-section of charities take part, therefore I would like to ask you some questions about you and your organisation. All information collected will be confidential. The questions will take about 3 minutes to answer.

**Q2. What is your role / job title in your organisation? SINGLE CODE ONLY**

<b>Chief Executive / Director</b>	<b>1</b>	
<b>Head of Finance</b>	<b>2</b>	
<b>Head of Marketing</b>	<b>3</b>	<b>CONTINUE</b>
<b>Head of Communications</b>	<b>4</b>	
<b>Head of Fundraising</b>	<b>5</b>	
<b>Other</b>	<b>6</b>	<b>SPECIFY – NEEDS TO BE A SENIOR DECISION MAKER. IF UNSURE- CLARIFY WITH THE OFFICE</b>
None of the above	7	ASK TO SPEAK TO ONE OF THE ABOVE

**Q3. Are you the main person within your organisation who would know about the processes of claiming Gift Aid? SINGLE CODE ONLY**

Yes	1	CONTINUE TO Q6
No	2	CONTINUE TO Q5

**Q4. Would there be anyone else senior in your organisation that we could talk to at the same time who would have an in depth knowledge about how your organisation uses Gift Aid? PROBE FOR PAIRED AND TRI DEPTHS**

Yes	Name	
	Position	
	How they work with Gift Aid	
No	THANK AND CLOSE	

**Q5. How much would you say you know about Gift Aid? SINGLE CODE ONLY**

A great deal	1	
A fair amount	2	CONTINUE TO Q7
Just a little	3	
Nothing at all	4	THANK AND CLOSE

**Q6. SEX – DO NOT ASK RESPONDENT. WRITE DOWN.**

Q7. **AREA** – TAKE FROM SAMPLE AND WRITE DOWN. RECRUIT TO QUOTA

ARRANGE TIME AND DATE FOR INTERVIEW.

RECORD NAME, TELEPHONE NUMBER AND EMAIL ADDRESS VERY CAREFULLY  
MAKE SURE FIRST NAME AND SURNAME ARE BOTH RECORDED  
IT IS VERY IMPORTANT THAT THESE DETAILS ARE RECORDED ACCURATELY AND IN FULL

CLOSE AND THANK RESPONDENT

I confirm that I have conducted this interview on the telephone with the above person and that I asked all the relevant questions and recorded the answers in conformance with the survey specifications and with the MRS Code of Conduct and the Data Protection Act **1998**.

Interviewer Signature: .....

Date: .....

Appendix C  
**Recruitment Questionnaire - Charities**

24<sup>th</sup> August 2007

J31291

**Identifying the Key Barriers to Gift Aid Adoption**

<p>RESPONDENT RECRUITED FOR:</p> <p>Face to face depth interview:</p>
<p><b>RESPONDENT NO:</b></p>

<b>Charities</b>	Date:	tbc
	Time:	tbc
	<p><b>Heads or Finance Directors of Charities (Recruit 46 respondents)</b></p> <ul style="list-style-type: none"> <li>○ 46 respondents to be recruited for depth interviews approximately 1 hour long</li> <li>○ 23 of these are to be with charities that use Gift Aid very / fairly regularly, and 23 with charities that rarely or never use Gift Aid</li> <li>○ Of the 46 interviews there should be:             <ul style="list-style-type: none"> <li>○ 10 in London</li> <li>○ 6 in Leeds</li> <li>○ 6 in Birmingham</li> <li>○ 6 in Bristol</li> <li>○ 6 in Cardiff</li> <li>○ 6 in Edinburgh</li> <li>○ 6 in Belfast</li> </ul> </li> <li>○ 20 interviews are to be paired or tri depths. All to be main person within their organisation who make decisions Gift Aid adoption</li> <li>○ Size of charities:             <ul style="list-style-type: none"> <li>○ Turnover of less than £10k p.a. (14 respondents)</li> <li>○ Turnover of £10k - £250k (10 respondents)</li> <li>○ Turnover of £250k - £1million (10 respondents)</li> <li>○ Turnover of over £1million (12 respondents)</li> </ul> </li> <li>○ No quotas on attitude statements – just a broad range</li> <li>○ Incentive of £50 donation to their charity</li> </ul>	
Venue Details:	At the offices of the charity	

## Ipsos MORI

Good morning/afternoon/evening, My name is . . . . . from Ipsos MORI, an independent market research company. I'm calling to invite you to take part in an interview as part of our research on behalf of HM Revenue and Customs (formerly known as Inland Revenue) and the Charities Aid Foundation. HM Revenue and Customs wants to understand why charities do or don't use Gift Aid, and how it might change the system to run more smoothly for you in the future. The interview will give you the chance to talk freely about your experiences using Gift Aid, and to give honest feedback on how you would like to see Gift Aid improved. Your responses will feed into a government consultation about making Gift Aid more accessible, and recommendations from this research will be reported back to HM Revenue and Customs. We are completely independent of HM Revenue and Customs and the research process will be conducted wholly by us. Ipsos MORI conforms to strict Market Research Society rules governing confidentiality and your comments and views would not be attributable to you unless you requested otherwise.

The meeting will take place in your offices at a time that suits you. The interview will be conducted by one of our senior researchers and should last no more than one hour. As a thank you for your time we would like to offer a £50 donation to your charity.

Q3. Would you be interested in taking part?

Yes	1	CONTINUE
No	2	CLOSE

We are looking for particular groups of people to make sure a cross-section of charities take part, therefore I would like to ask you some questions about you and your organisation. All information collected will be confidential. The questions will take about 10 minutes to answer.

Q4. Is your organisation a charity?

Yes	1	CONTINUE
No	2	CLOSE

Q5. What is your role / job title in your organisation? SINGLE CODE ONLY

Chief Executive / Director	1	
<b>Head of Finance</b>	2	
<b>Head of Marketing</b>	3	
<b>Head of Communications</b>	4	CONTINUE
<b>Head of Fundraising</b>	5	
<b>Other</b>	6	SPECIFY – NEEDS TO BE A SENIOR DECISION MAKER. IF UNSURE- CLARIFY WITH THE OFFICE
None of the above	7	ASK TO SPEAK TO ONE OF THE ABOVE

Q4. Are you the main person within your organisation who would know about the processes of claiming Gift Aid? **SINGLE CODE ONLY**

Yes	1	CONTINUE TO Q6
No	2	CONTINUE TO Q5

Q5. Would there be anyone else senior in your organisation that we could talk to at the same time who would have an in depth knowledge about how your organisation uses Gift Aid? PROBE FOR PAIRED AND TRI DEPTHS

Yes	Name	
	Position	
	How they work with Gift Aid	
No	THANK AND CLOSE	

Q6. How much would you say you know about Gift Aid? **SINGLE CODE ONLY**

A great deal	1	CONTINUE TO Q7
A fair amount	2	
Just a little	3	
Nothing at all	4	THANK AND CLOSE

Q7. What is the annual turnover of your charity? **SINGLE CODE ONLY**

0 - £10k	1	CHECK QUOTAS
£10k - £250k	2	
£250k - £1million	3	
£1million +	4	

Q8. How many employees and volunteers are there in your organisation besides yourself? **SINGLE CODE ONLY**

0	1	CHECK QUOTAS
1-9	2	
10-49	3	
50-99	4	
100-249	5	
250+	6	

Q9. How often does your organisation use Gift Aid? **SINGLE CODE ONLY**

Hardly ever / never	1	CHECK QUOTAS
Some of the time	2	
A lot of the time	3	
Nearly always / always	4	

Q10. What is the average size of donation that you receive? **SINGLE CODE ONLY**

Under £5	1	CHECK QUOTAS
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**Ipsos MORI**

£5 - £25	2
£25 - £100	3
£100 - £1000	4
£1000+	5

Q11. **What methods of fundraising does your organisation most commonly use?** READ OUT. MULTICODE OK

Street collection	1	CHECK QUOTAS
Standing order / Direct debit	2	
Fundraising events	3	
Telephone / Online donation	4	
Other, please specify	5	

Q12. **How important is fundraising to the income of your charity?** SINGLE CODE ONLY

Very important	1	CHECK QUOTAS
Quite important	2	
Neither important or unimportant	3	
Quite unimportant	4	
Unimportant	5	

Q13. **SEX – DO NOT ASK RESPONDENT. WRITE DOWN.**

Q14. **I'm going to read out a number of statements. For each, please say how strongly you agree or disagree.** SINGLE CODE ONLY

	Strongly Agree	Tend to Agree	Neither agree nor disagree	Tend to Disagree	Strongly Disagree	Don't know
Claiming Gift Aid is a simple process	1	2	3	4	5	6
HM Revenue and Customs have been helpful when applying for Gift Aid	1	2	3	4	5	6
If Gift Aid was administered differently my organisation could make better use of it	1	2	3	4	5	6

Q15. **Overall, thinking about your experience of Gift Aid with HM Revenue and Customs in the last 12 months, how satisfied are you with the service they have provided?** SINGLE CODE

Excellent	1
Very good	2
Good	3

Fair	4
Poor	5

Q16. **AREA** – TAKE FROM SAMPLE AND WRITE DOWN. RECRUIT TO QUOTA

ARRANGE TIME AND DATE FOR INTERVIEW. COMPARE AGAINST EXEC AVAILABILITY

RECORD NAME, TELEPHONE NUMBER AND EMAIL ADDRESS VERY CAREFULLY  
 MAKE SURE FIRST NAME AND SURNAME ARE BOTH RECORDED  
 IT IS VERY IMPORTANT THAT THESE DETAILS ARE RECORDED ACCURATELY AND IN FULL

CLOSE AND THANK RESPONDENT

I confirm that I have conducted this interview on the telephone with the above person and that I asked all the relevant questions and recorded the answers in conformance with the survey specifications and with the MRS Code of Conduct and the Data Protection Act **1998**.

Interviewer Signature:.....

Date:.....

## Appendix D – Invitation Letter



HM Revenue & Customs  
 Capital and Savings  
 1/38, 100 Parliament Street  
 London SW1A 2BQ  
 020 7147 3019  
[www.hmrc.gov.uk](http://www.hmrc.gov.uk)  
**13<sup>th</sup> August 2007**

Name  
 Organisation  
 Address 1  
 Address 2  
 Address 3

Dear

### HMRC and CAF Stakeholder Survey

Her Majesty's Revenue and Customs (HMRC) and the Charities Aid Foundation (CAF) have commissioned a piece of research to engage with senior members of charities to review your experiences of using Gift Aid. We are committed to working in partnership with our stakeholders, and the research seeks to identify how we can do so more effectively by reducing the barriers to accessing Gift Aid on charitable donations. I am writing to ask for your cooperation in taking part in this research.

The research is being conducted by Ipsos MORI, an independent research agency, and will gauge the opinions of senior stakeholders like yourself. The interview will explore issues around your experiences of using Gift Aid, the barriers that prevent you from using this and the measures that could be implemented to overcome these.

You may be aware that there will be a government consultation on how to encourage charities to take-up Gift Aid. This study is designed to feed into the consultation process and, therefore, will be an important aspect of the Government's continued efforts to help develop the Third Sector.

Ipsos MORI **may** contact you in the next two weeks to ask whether you would be willing to take part in this research and to arrange a suitable time for an interview. Please note that not everyone who receives this letter will be asked to take part in an interview. If you do take part, the interview will be conducted face-to-face at your place of work or at a location convenient to you, and will last for up to an hour in length. Your charity will receive a **£50 donation from Ipsos MORI** as a thank you for your time. Furthermore, as part of our consultative approach to working with key stakeholders, we will share a summary of our key results with you.

Please rest assured that when the findings of the research are reported to HMRC and CAF, in accordance with strict Market Research Society rules and the Data Protection Act, your name or organisation will not be linked with any of the information you have supplied.

If you **do not want to take part**, or have any questions about the research, then please contact Oliver Sweet at Ipsos MORI on 020 7347 3225. If you wish to confirm that this is a genuine research study, please contact me, Camellia Raha on 020 7147 3019.

Yours sincerely

**Camellia Raha**  
 Research Officer