

Gift Aid – A beginners Guide?

A Federation worksheet prepared by Chartered Accountant and Chairman of Essex Show Corps, Hayley Meagher.

Gift Aid is the scheme run by the Inland Revenue to increase the value of donations to your organisation. If you are a registered charity then you are able to join the scheme. Not only is it very easy to make returns but it could be worth £1,000's to your organisation.

In order to register for the gift aid scheme you need to ensure the following:

- 1 – Be a registered charity. (if you are not already then this is very easy to do and with the Federation's model constitution you can fast track a registration)
- 2 – Write to the Inland Revenue Titles team, providing your Charity Commission registration number and the fact that you would like to register for the gift aid scheme.

The Inland Revenue will then send you the two forms required in order to be able to start making gift aid claims. You will need to select one person from your organisation that will be signing each claim. This person will then become the main contact of the organisation. (If you want to be super efficient then you can download these from the Inland Revenue website and send with your letter, www.hmrc.gov.uk)

Before you make any claims you will need to ensure that you hold relevant information and a gift aid declaration from everyone that makes you a donation. As a minimum requirement you should have sufficient details of each donor in order to be able to find that person should it be required. You should also have their agreement to treat this donation as a 'gift aid' donation. This all sounds very complicated but in fact it can easily be obtained. And sample declarations can be found on the Inland Revenue website.

Corps/Band member registration forms will usually have a members address and details of the subs payable on them. We found that by adding the gift aid declaration wording at the bottom of the form, together with a space for the name of the adult paying the subs this satisfies the requirements of the Inland Revenue.

Once you have obtained this you can start claiming back 20p per £1 of donation made to your organisation.

You cannot claim gift aid on all monies received to your corps. The rules are very detailed but the basic facts are as follows.

- 1 - Any donation from an individual made to the corps that has no condition of repayment can be treated as a gift aid donation. – (Subscriptions!)
- 2 – Monies in return for goods (considered a benefit) cannot be considered. So for example you cannot claim gift aid on raffle ticket takings, ticket for entry to an event, or monies paid in return for uniform items.

When you first register and submit your first claim the Inland Revenue will most probably wish to come and visit you to look at what records you maintain. This sounds rather daunting but they are not there to 'audit' your figures purely to check how you maintain your records and that you are doing the scheme correctly. Previous experience has always shown the person visiting to be most helpful.

Issues to consider:

- 1 You will be permitted to start claiming gift aid on donations from the date you became a registered charity, not the date that you wrote to the Inland Revenue. Therefore you may have members that made donations during that period that have now left. As long as you have the address of the person, you could write to them providing all the information on the gift aid declaration. You can then ask that they contact you should they not agree to the declaration. Non reply will be deemed as agreement to the declaration and you will treat all past donations as eligible. As long as you keep a copy of this letter and set an appropriate deadline for them to reply this is suitable.
- 2 Subject to providing a copy of an old constitution you may be able to claim gift aid on donations upto 6 years in the past. For example if your band was established in 2003 but became a registered charity in 2007 and you can provide a copy of your constitution that proves you were effectively a charity since 2003 you will be able to make claims back to 2003. In order to do this you will need to write to the Inland Revenue Titles team in order to gain agreement. Remember that you will be eligible to receive interest on the amounts!
- 3 All the forms you need can be found on the Inland Revenue website www.hmrc.gov.uk
- 4 You can prepare claims at any time you like, annually, termly or monthly if you like. As long as the return amount exceeds £100 at a time.
- 5 All amounts are paid directly by BACS into the bands account and usually take spot on 4 weeks to arrive.

Volunteers donations in kind:

The question of volunteers donations 'in kind' comes up a lot. It is something that many people get wrong and it can cause problems. The rule of thumb is that unless cash is actually received by the charity and paid into the charity bank account with no condition of receipt or repayment then it is not eligible to gift aid.

Question 1. – *Mrs Jones drives 150 miles to purchase some marching drums for the band she helps with. The cost of the petrol used would have been £30. Mrs Jones says to the treasurer not to worry about reimbursing her just treat it as a donation. Should the treasurer treat this as a gift aid donation???*

Answer 1 – No cash has actually been donated to the charity. Mrs Jones has just saved the band an expense therefore no gift aid can be claimed.

Question 2 - *Mrs Jones drives the same 150 miles and the band agree to give her the £30 (by cheque) towards the petrol but upon the condition that she gives the money back to the band as a donation. – gift aid eligible?*

Answer 2 - Even though the band has actually received cash into the band it is effectively a forced donation. The donation was only made because the charity agreed to give the money to Mrs Jones upon condition that she gave it back. It is therefore the bands own money – No gift aid can be claimed.

Question 3- The band is a bit short of money and so Mrs Jones decides to donate £100 to the band, but under the condition that if the band has the money available at the end of the year it is repaid. Can you claim gift aid on this donation?

Answer 3- This is not a donation it is a loan. Even if the band doesn't have the money and never repays the £100 it will be treated as a 'waived liability' therefore it is not eligible for gift aid.

Question 4 - Mrs Jones goes and picks up even more drums. The band has a policy of paying the expenses of volunteers. Mrs Jones therefore puts an expense claim into the band for the fuel cost and the band pays her the £30 by cheque. Later on in the season Mrs Jones decides that she would like to help the band and donates £30 to the band. – Is this donation eligible for gift aid?

Answer 4 - Yes this is eligible. Mrs Jones has, of her own doing, donated £30 to the band. She was not forced to donate the money. Mrs Jones should be given a big hug as a thank you and then asked

to sign a gift aid declaration (if she hasn't already!) The band will now be able to claim an additional £6.00 from the government.

This is by no means a fully comprehensive guide to Gift Aid, The Inland Revenue has lots of information but if in doubt you can always call the Charities helpline (details on the Inland Revenue website).

Gift Aid & Toolkit on CD HM Revenue and Customs has published a CD toolkit on using Gift Aid to increase charity income, with basic guidance, interactive form, templates and other materials. Request the CD from HMRC Charities on 08453 020 203 or by emailing **charities@hmrc.gov.uk**

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