

Gift Aid 2008 Beyond the Budget

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Key Results

- Transitional Relief
- Gift Aid Audit Reform
- Gift Aid Record Keeping and Claims Process
- Gift Aid Guidance and Awareness
- Small Charities
- Gift Aid and Higher Rate Tax Payers

Transitional Relief

- Gift Aid will be paid at a transitional rate of 22%.
- In practice this means that charities will be able to continue to claim an extra 28p for every £ that is eligible for Gift Aid for the next 3 years.
- 25p will come from tax relief. 3p will come from additional Government expenditure.

How to explain Transitional Relief

"If you Gift Aid your donation, "x charity" will continue to receive an additional 28p. "X charity" can claim Gift Aid tax relief of 25p on every pound you give. HMRC will also be operating transitional provisions for Gift Aid donations made from 6 April 2008 until 5 April 2011, paying a Government supplement of 3p on every pound you give."

Gift Aid Audit Reform

- As of immediate effect, Government has sought to reduce the fear of Gift Aid audits by setting a "de minimis" error level of 4%, below which charities with claims of less than £2,500 each year will not be penalised for errors in record keeping - this accounts for two-thirds of all Gift Aid claimants.
- There will be different monetary limits to determine whether HMRC recovers for errors made in previous years. HMRC auditors will also operate a 'Yellow Card' approach to differ between errors found at first audit and those found at a later review arising from the same causes that have not been addressed.

Gift Aid Audit Reform

- As of immediate effect, HMRC will adopt a lighter touch approach and further reduce the fear of audit by allowing charities to repair errors at audit before the error rate is extrapolated across the Gift Aid claim.
- To reduce the audit administrative burden for large charities, the Government will engage in discussions throughout Summer 2008 on the option of self-certification, where charities' external auditors would be able to certify their Gift Aid claims.

Gift Aid Record-Keeping and Claims Process

Reform to record-keeping was a key plank of the Institute of Fundraising's submission. There has been an acknowledgement from Government that this is an area that requires reform.

- As of immediate effect, to simplify the claims process, HMRC will allow charities to aggregate donations under £10 in claims up to a total of £500 and will explore further with the sector whether £10 is an appropriate level.
- Over Summer 2008, HMRC will work with us to develop a framework setting out the option to destroy enduring Gift Aid declarations after 6 years provided a database record is retained.

Gift Aid Guidance and Awareness

- Government has launched a new Gift Aid web information service via www.direct.gov.uk/giftaid together with a detailed programme of upgrades to HMRC guidance. These will both be developed in partnership with the sector, leading to a comprehensive online guidance system and will include a 'news feed' facility whereby charities can register to receive regular updates on changes to guidance.
- HMRC will work to develop a Gift Aid toolkit containing all of the tools and guidance needed to run a successful Gift Aid scheme, available to over 5,000 newly registering and 20,000 existing registered charities.

Small Charities

- There will be an extension of the Tax-effective Giving Initiative to meet the needs identified by the Gift Aid consultation. This will be delivered through the Institute of Fundraising to give charities access to training, resources and advice on operating Tax-effective Giving schemes, including Gift Aid.
- A Small Charities Training Programme is to be developed, targeting charities with a turnover of less than £1 million per annum, to ensure that small local charities can access guidance and training on Gift Aid. This will also be delivered by the Institute of Fundraising.
- The development of a new online Gift Aid mentoring forum for charities that will be delivered by the Institute of Fundraising

Gift Aid and Higher Rate Tax Payers

A key aspect of the Institute of Fundraising's consultation response highlighted the untapped potential of higher rate taxpayers. While there was no immediate announcement, the Institute was delighted that there was a commitment from Government to continue work with donors and charities to develop understanding of donor behaviour and use that to inform further thinking about Gift Aid.

Corporate Gift Aid

The Institute of Fundraising will continue to campaign for a reversal of Corporate Gift Aid so that the charity benefits from the tax relief on Corporate Donations.

Help is at hand

Making Giving Go Further Guide –updated
DKY's – Did you knows - downloadable:

www.tax-effectivegiving.org.uk

www.institute-of-fundraising.org.uk