



Did you know...

Frequently Asked Questions on...

TAX-EFFECTIVE GIVING

Q: Does Gift Aid from a restricted gift, have to be used for the same purpose as the restricted gift?

Quick answer: HMRC does not have a view. Best practice is yes.

Q: What is corporate Gift Aid and how does it work?

Quick answer: Donations from companies are exempt from corporation tax

Donations from companies are deducted from total profits before calculating the company's corporation tax bill.

Charities that have received donations from companies cannot claim Gift Aid on them because no tax has actually been paid on them.

Donations from the self-employed are treated in the same way as gifts from individuals.

For partnerships, donations are treated as equal donations from each partner, unless the partners decide upon different proportions. Individual Gift Aid again applies

Q: How does a charity complete form R68 and what are the various schedules for?

Quick answer: R68(Claim) is the overall form that you use to submit a Gift Aid claim. Schedule R68(Gift Aid) is where Gift Aid donations are detailed.

R68(Claim) is the overall form that should be used for submitting a Gift Aid claim. R68(Claim) is accompanied by 'notes' which clearly explains how to fill in the form.

R68(Gift Aid) is a schedule, or accompanying document, to R68(Claim). You should enter details of Gift Aid declarations on R68 (Gift Aid) and then the total amount from each sponsorship form should be entered into R68(Claim). You need to fill in a R68(Gift Aid) for each tax year.

Charities are free to submit claims as often as they like. However, if more than one claim is being made within the year, the claim(s) should not be for less than £100.

You can ask HMRC to send you a cheque or pay the money directly into your bank account via BACS.

If you have a large number of donors, you can submit a CD-Rom but you should talk to HMRC about this first by calling 0845 302 0203.

Q: Can an individual make out a cheque for multiple sponsors (with Gift Aid declarations) on a sponsor form – how does it work?

Quick answer: Yes, provided it contains all the relevant information.

The amount on the cheque should match the total amount on the sponsorship form so that it is clear that the cheque is the total of the sponsors' money. The individual should also submit the sponsor form to the charity, which lists individual names, addresses, postcodes and with a box ticked indicating that they are eligible for Gift Aid, and making a declaration.

Q: What are the new rules for Gift Aid on admissions and what were the old provisions?

Quick answer: If visitors to charitable property donate at least 10% more than any admission or season ticket, then the donation is eligible for Gift Aid.

Prior to April 2006, certain heritage and conservation charities offered free admission for a donation to the charity, using the benefit rules. HMRC have, from April 2006, extended the provision to allow any charity that allows the public to visit charitable property to make use of Gift Aid. However, Gift Aid can only be claimed on the donations if the donation is at least 10% higher than a day admission price or if the donation is equivalent to a season ticket or annual membership.

Q: How does the Benefit Rule work for Gift Aid?

Quick Answer: The key principle to remember is that if any donor or person connected to the donor, benefits significantly from their donation or participation in an event, then their donations will not be eligible for Gift Aid.

There are limits on the value of the benefit that the donor or connected person may receive. These limits are listed below:

Amount of donation	Value of benefits
£0 - £100	25% of the value of the gift
£101 - £1000	£25
Greater than £1000	£5% of the value of the gift*
Total benefits must not exceed £500*	

The Benefit Rule applies to all aspects of Gift Aid including sponsored events and charity auctions. The Institute has produced a separate briefing on sponsored events and is currently producing one on charity auctions.

*New limits. Valid from 6th April 2007

Q: What is a ‘connected person’ with regard to the Benefit Rule?

Quick Answer: A person is connected with a donor if that person is:

- the wife or husband
- a relative (brother, sister, ancestor (e.g. mother) or lineal descendant (e.g. grandson)
- the wife or husband of a relative
- a company under the control of the donor, or under control of connected persons.

Q: What is a ‘split payment’ with regard to The Benefit Rule?

Quick answer: A method of partially applying Gift Aid to a donation that would otherwise be ineligible for Gift Aid because of the Benefit Rule.

Suppose you make, or receive, a donation, and the benefit from making that donation exceeds the Benefit Rule. Normally, you would not be able to claim Gift Aid on it.

However, it is possible to ‘buy the benefit’; meaning that you can split off the cost of the benefit from the donation as a whole, and then treat the excess as a donation.

A Gift Aid benefit can only be purchased if:

- the benefit can be purchased separately; and

- the donor is aware of the value of the benefit at the time he makes his donation.

For auction items, this treatment only applies where:

- the item is commercially available; and
- the donor is aware, at the time he/she makes a successful bid that the item could be purchased separately and for what price.

Q: How do I ensure all Gift Aid donations are clearly traceable for audit purposes?

Quick answer: You need to ensure that records of donations are kept in an accessible format for six years. If your Gift Aid declarations cover donations in perpetuity, you need to keep them permanently.

HM Revenue and Customs (HMRC) carries out checks or audits on selected charities to ensure they are making accurate claims.

- Charity's accounting records, systems and procedures
- Records, including donation records, Gift Aid declaration and banking/cash records
- Other tax risks.

Q: How long do I need to keep Gift Aid records?

Quick answer: Although auditors will wish to inspect recent records, charities that are a charitable company, should retain all records for six years after the end of the accounting period to which the tax reclaim relates. However, when this relates to a Gift Aid declaration that has been completed in perpetuity, then that declaration should be retained indefinitely.

Trusts that are charities should retain all records for:

- The 31st of January next but one after the end of the tax year to which the tax reclaim relates (for example, if you make a tax reclaim for the tax year 2000-2001, until 31 January 2003)
Or
- One year after you make your tax reclaim, rounded to the end of the next quarter (for example, if you make a tax reclaim on 25 May 2002, until 30 June 2003)
Or
- Up to the date of completion of an audit carried out by the Audit Unit.

Note: Whichever date is latest.

HMRC is happy to talk to charities about how they can ensure that they are processing claims correctly.

Q: Do I have to revise my Gift Aid Declaration form now that we soon can no longer claim for the tax year 2000?

Quick answer: There is no legal requirement to do so but in the interests of transparency and best practice, you should do so.

While It is not essential to do this, your charity might wish to in order to ensure that they are being transparent with potential donors. If the version of the Gift Aid declaration for your charity cites a date (for example, 'I want all donations I've made since 6 April 2000 and all donations in the future to be Gift Aid until I notify you otherwise') the you should change the date to '6 April 2001', once the claim period for the tax year 2000/2001 has passed.

A sensible approach is not to date the declaration and refer to the previous six years (or financial periods).

To recap, the time limits for claiming Gift Aid on donations are explained below.

- A charity which is a company for tax purposes must make any claim **within six years** from the end of the accounting period to which the claim relates.

For example, if a charity which is a company for tax purposes, wishes to claim for Gift Aid donations made during its financial year ended 31 December 2000, it must do so by 31 December 2006 at the latest.

- A charity which is a trust for tax purposes must make any claim **within five years of 31 January in the year following** the end of the tax year to which the claim relates.

For example, for Gift Aid donations made during the year ended 5 April 2001, a charity which is a trust for tax purposes has until 31 January 2007 at the latest to make a claim

Q: How do I store oral and written Gift Aid declarations?

Quick answer: Paper, CD-Rom, Disc, Microfiche...It doesn't matter as long as you can get hold of a copy or recording if needed.

How Gift Aid records should be stored is not set out in legislation. You do not need to keep original copies of Gift Aid declarations, but you need to ensure that Gift Aid declarations are accessible and that you are able to produce a *legible hard copy* if required

Records may be stored on:

- Paper
- CD-ROM, Disc, Flash Drive
- Hard drive
- Microfiche.

For oral declarations, you can either keep a recording of the telephone call, or a copy of the written confirmation of the declaration to the donor. If you choose to keep a recording, you must ensure that the donor confirms the declaration. Guidance can be obtained from HMRC on what constitutes a suitable script.

Depending on the number of declarations, you may wish to file declarations or store them electronically.

Gift Aid declarations *may be destroyed* after they have been stored electronically. There is no time limit on their destruction. The important thing is to make sure that you retain a true record of the declaration. It is a sensible idea to make back-ups and store them in a separate place.

You need to ensure that your records allow you to show an audit trail linking each donation to an identifiable donor who has given a valid Gift Aid declaration. This might include:

- A Gift Aid declaration
- Any correspondence to or from the donor which relates to the donation e.g. change of name or address or cancellation of declaration
- Charity's bank statements
- Donation records including the charity's paying-in book stubs showing cash and cheques banked, credit card company statements and the charity's cash book
- Any other records that the charity keeps in relation to the donation.

Other **Did You Know** briefings are available at the tax-effective giving website: www.tax-effective-giving.org.uk/downloads.html. More information is available by calling the Tax-Effective Giving Helpline on: 0845 458 4586.

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