



HM Revenue
& Customs

Gift Aid Small Donations Scheme

A Call for Evidence

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Contents

Chapter 1	Issue
Chapter 2	Aim of this call for evidence
Chapter 3	Policy objective
Chapter 4	Overview of Gift Aid
Chapter 5	Overview of Gift Aid Small Donations Scheme
Chapter 6	Current scheme rules
Chapter 7	This call for evidence
Chapter 8	Evidence sought
Chapter 9	Summary of questions
Chapter 10	The consultation process

1. Issue

1.1 At Autumn Statement 2015 the government announced that it will bring forward the review of the Gift Aid Small Donations Scheme that was planned to commence in April 2016.

1.2 The Government is keen to understand your experience of operating the scheme.

2. Aim of this call for evidence

2.1 The aim of this call for evidence is to seek information and evidence-based views about how the government can ensure that the scheme meets the intended policy objectives, whilst reducing the administrative burden for charities, and ensuring fairness for charities structured in different ways.

2.2 We are seeking to:

- Understand what is working well
- Understand the potential barriers faced by charities under the current scheme rules and why some charities may not be making use of the scheme
- Establish what changes, if any, should be made to the current rules in order to improve the effectiveness of the scheme

2.3 We would therefore welcome views about the use and effect of the existing scheme rules to inform the review.

2.4 The Government will carefully consider the responses and the evidence for making changes to the scheme. An Impact Assessment will be produced, if necessary, at the appropriate time.

3. Policy objective

3.1 The policy intention of the scheme is to support the charity sector by providing top-up payments in circumstances where it would be unduly burdensome or difficult to obtain Gift Aid declarations, for example bucket collections or during a church plate collection. We intend that each eligible charity should be entitled to claim a top-up payment on up to £5,000 small donations each year (increasing to £8,000 from April 2016).

4. Overview of Gift Aid (excluding small donations scheme)

- 4.1 Gift Aid is a tax relief. It allows individual taxpayers to give a sum of money to a charity or Community Amateur Sports Club (CASC), which is treated as being paid to the charity net of basic rate income tax.
- 4.2 So a gift of £10.00 is treated as if it is a gift of £12.50 (the 'grossed-up' donation) which the charity or CASC receives net of £2.50 tax. The charity or CASC can then claim repayment of the £2.50 basic rate of tax from HMRC.
- 4.3 Donors who are liable at the current higher or additional rates of income tax can themselves claim an additional 20% or 25% tax relief (the difference between the higher rate, of 40%, or the additional rate, of 45%, and the basic rate of 20%) on the grossed up donation.
- 4.4 In order for a donation to qualify for Gift Aid the donor must complete a Gift Aid declaration for the charity or CASC confirming that they have, or will have, paid Income and/or Capital Gains tax of at least the amount of Gift Aid tax relief that the organisation will claim on their donation in any given tax year.
- 4.5 This link between the Income and/or Capital Gains tax paid by the donor and the tax reclaimed by the organisation is an essential part of the Gift Aid process and, without it, tax relief under Gift Aid would not be available on these donations.
- 4.6 Where donors have paid less Income and/or Capital Gains tax than the amount claimed by the charity or CASC on their donations, HM Revenue & Customs (HMRC) can recover the difference from the donor.

5. Overview of Gift Aid Small Donations Scheme

- 5.1 The Government recognises the important role that charities play and wants to encourage charitable giving, whilst reducing the administrative burden on charities.
- 5.2 At Budget 2011 the Government announced the introduction of a new Gift Aid Small Donations Scheme (GASDS) to commence from 6 April 2013.
- 5.3 The GASDS contains two elements, the main top-up payment and the community buildings amount.

- 5.4 The Government wants charities, large and small, to claim Gift Aid on those donations where it is straightforward to collect a Gift Aid declaration from the donor, and it is in the charity's interest to do so.
- 5.5 GASDS enables charities and Community Amateur Sports Clubs (CASCs) to claim Gift Aid style top-up payments on up to £5,000 of small cash donations (£20 or less) every year (this amount is being increased to £8,000 from April 2016). GASDS is calculated in the same way as Gift Aid. This means that where the basic rate of income tax is 20%, small donations income of £5,000 will entitle the charity to a top-up payment of £1,250 per year (increasing to £2,000 from April 2016).
- 5.6 There is no higher and additional rate tax relief available on the small donations through GASDS, unlike Gift Aid, is not a tax relief but is instead treated as public expenditure.
- 5.7 For simplicity the scheme is administered as part of the Gift Aid scheme using the same claim forms and where possible the same definitions and administrative procedures.
- 5.8 During policy development it was found that charities that have similar activities are often structured in different ways, which would have created some unfair results. In order to balance this connected charities and community building rules were introduced to ensure that broadly similar results are achieved for groups of charities structured in different ways. Without these rules, some charities would be able to claim much less under the scheme than others.

6. Current scheme rules

- 6.1 Based on HMRC's knowledge and experience of operating Gift Aid and other repayment schemes it was concluded that the small donations scheme would be even more exposed to the threat from fraud than Gift Aid because the scheme is cash-based with light record-keeping.
- 6.2 Also, the community building rule means that some charities can claim additional allowances of up to £5,000 for each community building. Therefore, in order to ensure payments under GASDS go to legitimate charities and that broadly similar results are achieved for charities structured in different way, certain safe guards and rules had to be introduced.
- 6.3 These are summarised below:

a) Eligibility conditions

- 6.4 There are three conditions that a charity or CASC must satisfy to be eligible to claim top-up payments under GASDS in any tax year. The Charity or CASC must:

- Have been in existence for at least two complete tax years, unless the charity has recently merged with another
- Have made a successful Gift Aid claim in at least two of the previous four tax years, with no more than two years' gap between claims
- Not have incurred a penalty in respect of a Gift Aid claim or GASDS claim in this or the last tax year

b) The 'matching rule'

6.5 The amount of top-up payment that a charity or CASC can claim also depends on the amount that is claimed under Gift Aid – the 'matching rule'.

- Gift Aid only counts towards the matching rule if it is claimed on donations received in the same tax year as the small cash donations are received. The tax year is 6 April to 5 April, even if their accounting year is different.
- Charity cannot claim Gift Aid and GASDS on the same donation.
- The maximum donations limit that a charity or CASC can claim under GASDS is:
 - An amount equal to 10 times the amount of donations claimed under Gift Aid (matching rule)
 - If less, small donations of up to £5,000

c) Connected organisations

6.6 To deter charities and CASCs "splitting" into artificially small units in order to gain more GASDS top-up payments there are a set of "connected charity" rules that treat charities under common control and where the activities of the organisations are broadly similar, as a single charity.

6.7 Charities and CASCs may be connected when they are part of a local or national network of similar organisations, such as religious groups or local branches of a national charity. Where a group of charities or CASCs are connected with one another the small cash donations received by each of the connected organisations are effectively pooled, meaning one main top-up payment of up to £5,000 small donations per year for the whole group.

6.8 The main top-up payment can then be claimed by the main office or shared between the connected charities. However, each branch within the organisation may be entitled to the community building amount, provided it meets the community buildings rules.

d) Community buildings amount

6.9 In addition to the main top-up payment charities are entitled to claim a community building amount of up to £5,000 for each community building if they meet the relevant conditions. Essentially, a charity must be in receipt of small cash donations from regularly carrying on its charitable activity (other than fundraising) in a village hall, church hall or church etc. This was introduced to ensure, that charities which operate in a broadly similar way but are structured differently, receive the same entitlement under the scheme.

6.10 Summary of the main criteria:

- Small donations must be collected from group members during charitable activities held in a community building, for example, a church, a town hall, a mosque or a village hall
- Charitable activities held in a community building must be open to members of the public
- Charitable activity must take place on at least 6 times in a tax year and must involve at least 10 people all of whom must benefit from the charitable activity (are beneficiaries of the charity) i.e. counselling sessions, support group.
- None of the group should be required to pay for access to the building or part of the building where the activity is carried out

7. This call for evidence

7.1 The rules were designed to reduce the risk of fraudulent claims on public expenditure and as a result are fairly robust. However, some charities have told us that they find the current rules complex to administer.

7.2 Therefore, at the Autumn Statement 2015 the government announced that – as part of its commitment to encourage charitable giving – it would review the current GASDS rules, with the intention of simplifying the scheme rules to ensure as many eligible charities as possible can claim this relief.

7.3 If this call for evidence supports the need for a reform of the rules, the government will publish a formal consultation document next year setting out some detailed options for reforming the GASDS rules.

7.4 The government wishes to use this Call for Evidence to ensure that it has the best possible understanding of the impact of the current GASDS rules on all interested parties. Specifically, the government would like to gather evidence on how the current rules are understood and applied, what barriers or problems they present for the charities sector, and how they might be improved.

8. Evidence sought

- 8.1 Set out below are 16 questions covering the areas on which the government would like to gather evidence. Respondents should submit evidence in relation to as many of the questions as they wish to address. There is no obligation to respond to all questions.
- 8.2 When responding, it would be helpful if you were to state whether your response is on behalf of a business, charity, CASC, individual or representative body.
- 8.3 In the case of charities, it would help our analysis of your response if you were to provide details of the specific sector(s) in which the charity operates. In the case of representative bodies, it would be helpful if you would provide information on the number and nature of people or organisations that the body represents.
- 8.4 The evidence provided will be used solely for the purpose of informing this review of the GASDS rules and future analysis of policy proposals relating to the charity sector. It will not be used to conduct compliance checks on specific organisations.
- 8.5 If respondents feel that there are issues that not covered by the questions set out below but that are relevant to the review of GASDS rules, they are welcome to submit additional evidence in the form of a covering letter or e-mail.

9. Summary of questions

Factual understanding and accessibility of the current scheme rules

The questions in this section invite evidence relating to the clarity and accessibility of the current GASDS rules.

- 1) Are you aware of the scheme and familiar with the current rules? If not please provide details.
- 2) Has your charity made a claim under the small donations scheme? If so, how many claims on average does your charity make a year? If not what is the reason for this.
- 3) Please indicate if you are a singleton charity, unconnected charity affiliated by membership of a union/association or a connected charity claiming under:
 - main top-up payment only
 - community building amount only
 - both the main top-up payment and the community building amount

- 4) Does your charity receive sufficient eligible small cash donations allowing you to benefit from the full £5,000 small donations amount? If not, please indicate the range in which your charity's annual small donations usually fall.

Small donations amount range between:

£1 - £2,000

£2,000 – £4,000

£4,000 - £5,000

- 5) Have you encountered any problems and barriers during the claiming process? If so, please provide details and examples.

Eligibility conditions and matching rule

The questions in this section invite evidence relating to the eligibility conditions and the matching criteria.

- 6) Are there any eligibility criteria that your charity is struggling to meet? If so, what is the reason for this? (For example, the charity has not existed for two tax years).
- 7) Please give an indication of the amount your charity could be claiming if it met the eligibility conditions? Please also specify if you are a small (total income (£10-£100K), medium (£100K - £1 million) or a large (£1 -£10 million) sized organisation?
- 8) Does your charity claim under Gift Aid? If not what is the reason for this?
- 9) Does your charity receive sufficient Gift Aid donations to allow it to meet the matching criteria and claim under GASDS in respect of all its eligible small cash donations (up to £5000)? If not, is there a particular reason for this?
- 10) Do you feel that the current matching rule prevents your charity from accessing payments under GASDS? If so, what are the reasons for this?

Connected charities and Community building rules

The questions in this section invite evidence relating to the current connected charities and community building rules.

- 11) If your charity operates in a community building, does it currently claim under the community building amount? If so, please indicate the small donations range, as listed below, applicable to your charity's community buildings relief claim? If not, why not?

Small donations amount range between:

£1 - £2,000

£2,000 – £4,000

£4,000 - £5,000

- 12) Have you claimed under community building amount for more than one community building? If so please advise:
- if you are a singleton charity, unconnected charity affiliated by membership of a union/association or a connected charity
 - the number of community building allowance claimed for each year and the amounts claimed in respect of each building.
- 13) Have you claimed under both the main top-up payment and the community building amount? If so, please advise the amounts claimed for each year.
- 14) Has your organisation found any part(s) of the community building rules to be problematic? If so, please provide specific details and examples.
- 15) Is there a better way than the current approach to create a level playing field as far as possible between charities that are undertaking similar activities but structured differently so that the original policy intention of the scheme can be implemented i.e. for each eligible charity to get one £5,000 allowance.
- 16) If there are other ideas and views that have not been covered in the above discussion areas respondents are invited to provide details along with any supporting evidence that helps to explain why their ideas should be considered for future policy making.

10. The consultation process

This consultation is being conducted in line with the Tax Consultation Framework. There are 5 stages to tax policy development:

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| Stage 1 | Setting out objectives and identifying options. |
| Stage 2 | Determining the best option and developing a framework for implementation including detailed policy design. |
| Stage 3 | Drafting legislation to effect the proposed change. |
| Stage 4 | Implementing and monitoring the change. |
| Stage 5 | Reviewing and evaluating the change. |

This Call for Evidence will be used to inform the first two stages of this process. The purpose of this Call for Evidence is to gather evidence that will help to inform the development of some proposals for reform.

How to respond

Responses should be sent by 2 March 2016, by e-mail to:

Charitypolicy.taxteam@hmrc.gsi.gov.uk

or by post to:

Gift Aid Small Donations Scheme - Call for Evidence
Room G66
100 Parliament Street
London
SW1A 2BQ

Telephone enquiries should be directed to Savita Patel (03000 585152) or Sue Pennicott (03000 585160)

Paper copies of this document or copies in Welsh and alternative formats (large print, audio and Braille) may be obtained free of charge from the above address. This document can also be accessed from [HMRC Inside Government](#). All responses will be acknowledged, but it will not be possible to give substantive replies to individual representations.

Representatives of HM Treasury and HMRC would be happy to meet with interested parties during the Call for Evidence period. Please send an email to the address above to register an interest in this kind of engagement. If there is sufficient interest a general meeting will be organised in London.

Confidentiality

Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes. These are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004.

If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals with, amongst other things, obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on HM Revenue and Customs (HMRC).

HMRC will process your personal data in accordance with the DPA and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

Consultation Principles

This consultation is being run in accordance with the Government's Consultation Principles.

The Consultation Principles are available on the Cabinet Office website: <http://www.cabinetoffice.gov.uk/resource-library/consultation-principles-guidance>

If you have any comments or complaints about the consultation process please contact:

John Pay, Consultation Coordinator, Budget Team, HM Revenue & Customs, 100 Parliament Street, London, SW1A 2BQ.

Email: hmrc-consultation.co-ordinator@hmrc.gsi.gov.uk

Please do not send responses to the consultation to this address.