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**NEW**  
UPDATED  
VERSION FOR  
**2011**

What is Gift Aid and how does it work?



**data developments**

SOFTWARE FOR CHARITIES AND CHURCHES



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# Gift Aid Checklist and FAQs.

**THIS BOOKLET HAS BEEN WRITTEN BY AND IS SPONSORED BY DATA DEVELOPMENTS.**

Data Developments has supplied software for churches and charities administration since 1985 and has marketed a program for covenants / gift aid management since 1989.

Donations Co-ordinator will record details of donors, donations, sponsored events, and automatically generates both the R68 Schedules and R68 Claims. It will produce several types of thank you letters, audit trail and statutory reports, including calculations for transitional relief. For more information contact Data Developments (UK) Ltd tel: 01902 824044 or go to the website: [www.datadevelopments.co.uk](http://www.datadevelopments.co.uk).

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*This guide will call the 'Gift Aid Declaration' the 'declaration'.*



# 1. Introduction – What is Gift Aid?

Gift Aid is a Government scheme. It is a way for charities or Community Amateur Sports Clubs (CASCs) to increase the value of gifts of money from UK taxpayers by claiming back the basic rate tax paid by the donor. It can increase the value of donations by a quarter at no extra cost to the donor. Gift Aid is worth nearly £1 billion a year to charities and their donors.

The Gift Aid scheme is administered and managed by HM Revenue & Customs (HMRC), their website ([www.hmrc.gov.uk](http://www.hmrc.gov.uk)) has detailed guidance notes for charities. Chapter 3 of these guidance notes is all about Gift Aid and this booklet is based on HMRC's guidance.

Gift Aid is a way for charities or Community Amateur Sports Clubs (CASCs) to increase the value of gifts of money from UK taxpayers by claiming back the basic rate.

You can find more information by looking at the Frequently Asked Questions (FAQs) numbers shown in the third column of the tables. There are useful addresses on the back cover.

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## How does Gift Aid work?

Imagine Jane pays income tax at the basic rate of 20% on her annual salary. If Jane gives you a donation of £100 you can claim back the tax, which she has already paid, on this money – in this case £25!

Remember: to give you £100 Jane has earned £125 (gross amount - pay before tax) 20% of this gross amount is £25.

### Tip:

A simple way to work out the amount of Gift Aid that can be claimed on a donation is to divide the donation by 4. (assuming basic tax rate of 20%)

**Important:** Donors who pay 40% higher rate tax or 50% additional rate tax can claim extra relief on their donations to your charity. If a donor claims age-related allowances or **tax credits** (see **FAQ 2**), Gift Aid donations can sometimes increase their entitlement.

Of course there is a limit to the amount of gift aid that can be claimed on a person's donations and that is the total amount of tax they have paid during the year.

## How do you get the extra money?

1. Charities send a R68i Repayment claim form to HMRC with a schedule of all their Gift Aid donors and the amounts of their donations.
2. HMRC will check the claim and will pay the 20% Basic Rate Tax paid by all the donors by BACS directly into the Charity's bank account.



## 2. Checklists for:

### Checklist

- a. What to look for on a completed declaration.
- b. How to manage oral declarations.
- c. What to do with electronic Declaration.
- d. What information to keep for each donor.
- e. What information to keep for 'Planned Giving' envelopes.
- f. What information to keep for one-off gift envelopes.
- g. What other documents to keep.
- h. What not to claim Gift Aid on.
- i. How Gift Aid donations of money can be given.
- j. When can't you claim Gift Aid on donations?
- k. Time limits for making a claim.
- l. What do you need to be able to use the R68(j)?
- m. Where to find the R68(l).
- n. What to check on the R68(j).
- o. Things to do to encourage people to Gift Aid donations
- p. What to look for in Gift Aid computer software.

What to look for on a completed declaration:

HMRC has a model Gift Aid declaration on its website that shows everything a charity must have in a Gift Aid declaration, but Charities can produce their own declarations based on HMRC's model.

For the HMRC recommended declaration go to [www.hmrc.gov.uk](http://www.hmrc.gov.uk)

The declaration has two parts:

- 1) Information you want from the donor.
- 2) Information you need to give to the donor.

Both are important

### a) What to look for on a completed declaration

| ✓ = Yes | Item  | FAQ |
|---------|---|-----|
|         | The church or charity's name.   | 20  |
|         | The donor's name – at least the donor's initial and family name.  | 20  |
|         | The donor's home address – at least the house name or number and full postcode.   | 20  |
|         | A statement for the donor to tick saying which gift(s) they want gift aided or on a one-off form, saying that this gift is to be gift aided.      | 20  |
|         | An explanation saying that the donor must have paid as much tax as the charity will claim in gift aid on their donations in the current tax year. | 20  |
|         | The declaration does not need a date - but it is good practice.   | 20  |
|         | The declaration does not need to be signed - but it is good practice.   | 20  |

Remember a donor can cancel a declaration at **any** time.

### b) How to manage oral (verbal) declarations

| ✓ = Yes | Item  | FAQ |
|---------|---|-----|
|         | Keep any tape / phone recording of the donor giving their declaration.                            | 21  |
|         | Read back to the person the declaration information they have given.                              | 21  |
|         | Tell them they can cancel their declaration at any time.  | 21  |
|         | Record the date they gave you the information.  | 21  |
|         | <b>If you do not have a recording of the declaration:</b>   |     |
|         | Send the donor a paper copy of their declaration.   | 21  |
|         | Send a note with the declaration saying they can cancel within 30 days.                           | 21  |
|         | The declaration is not valid until you have sent the donor a copy.                                | 21  |
|         | Good practice: do not claim on their donations until 30 days after you have sent the declaration. | 21  |

### c) What to do with electronic declarations

| ✓ = Yes | Item   | FAQ |
|---------|--|-----|
|         | Keep a copy of the emails containing declarations, either on paper or on computer. |     |
|         | Reply to the donor's email confirming the declaration.                             |     |
|         | If a declaration is sent by text message keep the text message.                    |     |
|         | Good practice: confirm the declaration by letter or email.                         |     |

#### d) What information to keep for each donor

| ✓ = Yes | Item  | FAQ |
|---------|---|-----|
|         | The donor's name – at least the donor's initial and family name                 | 6   |
|         | The donor's home address – at least the house name or number and full postcode. | 6   |
|         | The donor's declaration.  | 6   |
|         | The amount of each donation.  | 7   |
|         | The date of each donation.  | 7   |
|         | The way the donor gave each donation eg standing order, cash etc.               | 7   |
|         | Note on the record if the donation was for a special purpose eg 'Youth'.        | 7   |
|         | A record of any goods or services given to the donor for their donation.        | 7   |
|         | Copies of letters you send to the donor about their donations.                  | 7   |
|         | Copies of letters the donor has sent to you about their donations.              | 7   |
|         | <b>If the donor cancels</b> their declaration – keep the cancellation letter.   | 7   |

#### e) What information to keep for 'Planned Giving' envelopes

| ✓ = Yes | Item   | FAQ |
|---------|--|-----|
|         | A register of donors that shows the envelope number for each donor.          | 15  |
|         | The amount and date of the donation written on the envelope.                 | 15  |
|         | A register showing the date and amount in each envelope given by each donor. | 15  |
|         | A sample of one complete month of envelopes for each of the past four years. | 15  |

#### f) What information to keep for one-off gift envelopes

| ✓ = Yes | Item  | FAQ |
|---------|---|-----|
|         | The one-off gift envelope.  | 16  |
|         | The amount of the donation written on the envelope.   | 16  |
|         | The donor's name and address written on the envelope.   | 16  |
|         | The box on the envelope ticked to show the donor wants you to Gift Aid it.  | 16  |
|         | A note on the envelope explaining that they must have paid tax at least equal to the Gift Aid the charity will claim in the tax year. | 16  |
|         | All one-off gift envelopes for four years after the Gift Aid was claimed.   | 16  |

#### g) What other documents to keep.

*All documents to do with tax should be kept for four years*

| ✓ = Yes | Item   | FAQ |
|---------|--|-----|
|         | Copies of any circulars you have sent that include Gift Aid information. | 9   |
|         | Copies of all R68(i) forms you have sent to the HMRC.                    | 9   |
|         | Copies of all special Gift Aided sponsorship forms.                      | 29  |
|         | Paying-in book stubs.  | 10  |
|         | A copy of all bank statements.   | 10  |
|         | All letters from the HMRC about Gift Aid.                                | 11  |

## h) What not to claim Gift Aid on

| ✓ = Yes | Item  | FAQ |
|---------|---|-----|
|         | Open collections or 'loose plate' collections unless the cash was given in a sealed envelope with the donor's name or reference and covered by a valid declaration. | 14  |
|         | Donations of money from limited companies or PLCs.  |     |
|         | Payments in kind.   | 4   |
|         | Loans.  | 4   |
|         | Loan waivers.   | 4   |
|         | Debt / loan conversions.  | 4   |
|         | Donor's expenses that the donor says you do not need to pay.  | 4   |
|         | Gifts of materials.   | 4   |
|         | Money paid at auctions. See FAQs section.   | 4   |
|         | Gifts made on behalf of someone else.   | 4   |
|         | Payments for school fees.   | 4   |
|         | Payments to purchase books, jumble sale items, food etc.  | 4   |
|         | Payments for admission to events (jumble sales, concerts etc) See FAQs section.   | 4   |
|         | Payments for raffle or lottery tickets.   | 4   |
|         | Giving by Charity Vouchers.   | 4   |
|         | Donations made through Payroll Schemes.   | 4   |
|         | Donations that give the donor (or a relative) services or goods worth more than the limit of the benefits!  | 5   |

## i) How Gift Aid donations of money can be given

| ✓ = Yes | Item   | FAQ |
|---------|--|-----|
|         | Cash - in a sealed envelope, which shows the donor's name or the donor's envelope number and covered by a valid declaration. | 3   |
|         | Cheque.  | 3   |
|         | Direct Debit.  | 3   |
|         | Credit Card.   | 3   |
|         | Debit Card.  | 3   |
|         | Postal order.  | 3   |
|         | Standing Orders.   | 3   |
|         | Internet banking transfers.  | 3   |
|         | Foreign currency.  | 3   |

## j) When you can't claim Gift Aid on donations

| ✓ = Yes | Item  | FAQ |
|---------|---|-----|
|         | The donor has not completed a declaration.  |     |
|         | When the donation is given on a date not covered by the declaration.                  |     |
|         | When their donation is not money.   | 19  |
|         | When the donor has not given his or her own money.                                    |     |
|         | Donations given by Limited Companies – different rules apply.                         | 18  |
|         | Donations given after a donor has cancelled their declaration. <b>see FAQ section</b> | 22  |

### k) Time limits for making a claim

| ✓ = Yes | Item   | FAQ |
|---------|--|-----|
|         | <p>All claims must be made within four years of the end of the accounting period to which the claim relates.</p> <p>For example donations made in the accounting period which ended 31st December 2011 the final date a claim can be made for them is 31st December 2015.</p> <p>For donations made in the accounting period which ended 31st December 2011 HMRC will pay interest from 1st January 2012.</p> <p>Are your donations within these limits?</p> |     |
|         | <p>All claims must be made no later than four years after the end of the tax year to which the claim relates.</p> <p>For example a claim for repayment of Gift Aid on donations received during the tax year that ended on 5 April 2010 must be received by HMRC before 5 April 2014</p> <p>Are your donations within these limits?</p>  |     |

### l) What do you need to be able to use the R68(i)?

| ✓ = Yes | Item  | FAQ |
|---------|---|-----|
|         | 1. Access to the Internet.                                      |     |
|         | 2. A printer  |     |
|         | 3. Adobe Reader version 9 or above (free from Adobe.com)        |     |
|         | 4. Information on your organisation.                            |     |
|         | 5. Information on the donations your organisation has received. |     |
|         | 6. The end date of your financial year.                         |     |

### m) Where can you find the R68(i) form?

| ✓ = Yes | Item  | FAQ |
|---------|---|-----|
|         | <i>The R68(i) is designed to be filled in online or downloaded from the HMRC website onto your computer. It can be found by going to:</i> |     |
|         | 1. <a href="http://www.hmrc.gov.uk">www.hmrc.gov.uk</a>   |     |
|         | 2. <b>Click</b> Forms (on the left of the screen under Quick Links).  |     |
|         | 3. In the box type R68.   |     |
|         | 4. <b>Click</b> Find Form.  |     |
|         | 5. <b>Click</b> 'R68(i) Gift Aid and tax repayment claims'.   |     |
|         | 6. <b>Click</b> 'R68(i) (PDF.134KB)' – this will open the form ready for you to use.  |     |
|         | 7. If you want to save the form <b>click</b> the Save icon on the top toolbar and choose your location.                                   |     |

n) **What to check on the R68(i)? All the information must be the same as shown on your HMRC Charity registration. If any of the information has changed you must tell the HMRC of the changes by using form ChV1 at least one month before making a claim.**

| ✓ = Yes | Item   | FAQ |
|---------|--|-----|
|         | <b>1. About your organisation.</b>   |     |
|         | a) Name of your charity.   |     |
|         | b) The charity's reference number (starts with X or C).  |     |
|         | c) The name of your authorised person.   |     |
|         | d) The telephone number of the authorised person.  |     |
|         | e) The charity's full correspondence address.  |     |
|         | f) If you have more than 200 donors and are sending your claim on a CD                                   |     |
|         | – have you ticked the 'Submitting information on a disk' box on the first page.                          |     |
|         |  |     |
|         | <b>2. Accounting period</b>  |     |
|         | a) Have you entered the <b>last</b> day of your financial year?.   |     |
|         |  |     |
|         | <b>3. Payment details</b>  |     |
|         | a) If the gift aid is coming to the charity have you ticked the Charity box?.                            |     |
|         | b) If using a nominee/collection agency have you ticked the box?.  |     |
|         | c) If the nominee/collection agency has a reference have you entered it?.                                |     |
|         |  |     |
|         | <b>4. Gift Aid Schedules – click the 'Create Schedules' and the form creates the relevant schedules.</b> |     |
|         | a) Have you entered all the donations for each schedule?   |     |
|         | b) Have you entered the correct donation dates?  |     |
|         | c) Have you entered the correct totals for each person on a schedule?                                    |     |
|         | d) If you have entered aggregate donations do you have gift aid declaration for each person?             |     |
|         |  |     |
|         |  |     |
|         | <b>5. Other Income Schedule – this section is not related to gift aid.</b>                               |     |
|         | a) Have you entered the gross payment received that is the total payment including the tax.              |     |
|         | b) Have you entered the total tax paid.  |     |
|         |  |     |
|         |  |     |
|         | <b>6. Tax back calculation and amount of claim</b>   |     |
|         | a) Have you checked the total donations are correct?   |     |
|         | b) If the amounts are incorrect check the donations you entered.   |     |
|         | c) You can still change the schedules before you print the form.   |     |
|         | Do not make any changes on the printed form.   |     |
|         |  |     |

|  |   |  |
|--|---|--|
|  | <b>7. Additional information</b> – enter information helpful to processing your claim but the following must be included.           |  |
|  | a) If using aggregate donors have you stated it here for example: 'This claim has been aggregated in accordance with the guidance'. |  |
|  | b) If sending the claim on a CD have you stated that here?  |  |
|  | c) If you have included amounts from sponsored events have you stated that here? See FAQ 29.  |  |
|  | <b>8. Print the R68(i)</b> – The R68(i) has done all of the gift aid calculations:  |  |
|  | a) Have you checked the totals on the R68(i)?   |  |
|  | b) If the totals are not what you expect check and correct the donations you have entered.  |  |
|  | c) If you entered additional information is it correct and complete?  |  |
|  | d) Once printed have you signed and dated the R68(i)?   |  |
|  | e) Have you written anything else on the R68(i)? If so the claim will not be processed and you must check and reprocess the R68(i). |  |
|  | f) Have you addressed it to:<br>HMRC Charities Repayments<br>St John's House,<br>Merton Road,<br>Liverpool, L75 1BB                 |  |
|  | g) <b><i>You must not change any figures or write extra information on the printed form.</i></b>                                    |  |

#### n) Things to do to encourage people to Gift Aid their donations

| ✓ = Yes | Item  | FAQ |
|---------|---|-----|
|         | <b>Information:</b>   |     |
|         | Use the Gift Aid logo.  | 36  |
|         | Put prominent notices about Gift Aid on notice boards.                            | 36  |
|         | Update the notices regularly.   | 36  |
|         | Make sure the notices include the basics:   | 36  |
|         | 1. Gift Aid logo.   |     |
|         | 2. Simple sentence on 'What is Gift Aid?'   |     |
|         | 3. Simple example of the effect it can have.                                      |     |
|         | 4. Who to ask for more information on Gift Aid – local contact.                   |     |
|         | 5. Declarations next to the notice board or a note to say where they can be found |     |
|         | 6. Where to put completed declarations or the person to give them to.             |     |
|         | 7. A 'thank you' for taking the time to read the notice.                          |     |
|         | Tell donors about oral declarations.  | 36  |
|         | Tell donors the name of the person who will record oral declarations.             | 36  |
|         | Talk to people about Gift Aid when you are appealing for funds.                   | 36  |
|         | Tell people they can Gift Aid a sponsored event.                                  | 36  |

|  |  |    |
|--|--|----|
|  | <b>Making envelopes and declarations available:</b>  |    |
|  | Have lots of declarations and Gift Aid envelopes on show.                                  | 37 |
|  | Have large print declarations.   | 37 |
|  | Make the writing on envelopes clear and the print size not too small.                      | 37 |
|  | Make sure oral declarations can be made easily and privately.                              | 37 |
|  | Make sure that declarations and envelopes are on hand for every meeting, event or service. | 37 |

|  |   |    |
|--|---|----|
|  | <b>Saying Thank You:</b>                                  |    |
|  | Give a general thank you at your annual meeting.          | 39 |
|  | Send donors an annual thank you letter.                   | 39 |
|  | Publish how much money has been claimed back in Gift Aid. | 39 |
|  | Give examples of how the extra Gift Aid money was used.   | 39 |

#### **o) What to look for in Gift Aid computer software**

| <b>✓ = Yes</b> | <b>Item</b>   | <b>FAQ</b> |
|----------------|---|------------|
|                | Software your computer can use (a Vista computer needs software that will work on Vista). | 40         |
|                | Records donor information.  | 40         |
|                | Records all the information from declarations.  | 40         |
|                | Records donations.  | 40         |
|                | Keeps a full audit trail.   | 40         |
|                | Automatic tax calculations.   | 40         |
|                | Automatically produces the complete R68(i) form.  | 40         |
|                | Records tax refunds.  | 40         |
|                | Produces wide range of reports.   | 40         |
|                | Produces statistical analysis.  | 40         |
|                | Produces thank you letters.   | 40         |
|                | Records one-off donations with limited declarations easily.                               | 40         |
|                | Has a variety of ways to enter donations.   | 40         |
|                | Has email facilities.   | 40         |
|                | Can import and export data to a variety of formats, Word, Excel etc..                     | 40         |

# 3. Frequently Asked Questions (FAQs)



## FAQ subjects

|    |   |         |
|----|---|---------|
| 1  | Questions about Donors                      | 1 - 2   |
| 2  | Questions about Donations                   | 3 - 4   |
| 3  | Question about Benefits and limits          | 5       |
| 4  | What information do I need to keep?         | 6 - 11  |
| 5  | What about joint declarations and account?  | 12 - 13 |
| 6  | What about cash collections                 | 14      |
| 7  | What about giving using envelopes?          | 15 - 17 |
| 8  | What about giving by companies?             | 18      |
| 9  | What about donations that are not money?    | 19      |
| 10 | Questions about Gift Aid Declarations       | 20 - 23 |
| 11 | Questions about making a claim              | 24 - 28 |
| 12 | What about sponsorship?                     | 29      |
| 13 | What about donations for full time workers? | 30      |
| 14 | What if I make a mistake in a claim?        | 31      |
| 15 | Questions on HMRC audits                    | 32 - 35 |
| 16 | Encouraging people to Gift Aid donations    | 36 - 39 |
| 17 | How can computers help?                     | 40      |

## 1) Who can be a Gift Aid donor?

Anyone who pays UK tax, and the tax can be income tax or capital gains tax.

The donor may pay income tax on:

- Wages or salary.
- Self employed earnings.
- Pensions and /or
- Investment income from a bank or building society or dividends.

If your donor lives outside the UK but still pays UK tax they can Gift Aid their donations. If they are part of the armed forces or 'peace corps', and are living abroad they can Gift Aid their donations.

If the donor stops paying tax they need to tell you, so that you can stop reclaiming tax on their gifts.

## 2) What about Tax credits?

If the donor claims Tax Credits their gift aided donations paid during the tax year may be deducted from income for tax credit purposes - thus increasing their tax credit award. Important see HMRC Leaflet TC825 - there is a section on Gift Aid.

For more information see HMRC's 'Guidelines for Charities' Chapter 3.

## 3) What donations can be Gift Aided?

Only gifts of money – you are reclaiming the tax paid on money a donor has earned. The link between the money earned, the tax paid and the tax reclaimed is very clear.

The donation can be in cash or by cheque, direct debit, credit card, debit card, standing order, postal order or electronic transfer. You can only claim Gift Aid on a donation given by cheque once it has been cleared - the money must be in your account. If the cheque is not honoured then it is as though the donation had not been given.

Donations given to you in foreign currency may be Gift Aided. However to claim Gift Aid the donations must be shown as 'sterling' (British currency). You do not need to change the actual foreign currency into sterling. Use the exchange rate on the date the donation was given to calculate what it would have been in sterling and use that amount for the claim.

A declaration can cover donations given up to four years before the date it was signed. A donor can sign a declaration before or after donations are given.

**Note:** Donated goods may provide a Gift Aidable donation in certain circumstances – see FAQ 19.

For more information see HMRC's 'Guidelines for Charities' Chapter 3.

## 4) What donations cannot be Gift Aided?

- Open collections (loose plate collections) unless the cash is put in a sealed envelope with a name or reference number and covered by a valid declaration.
- Payments in kind.
- Loans.
- Loan waivers.
- Debt / loan conversions.
- Gifts of materials.
- Payments for school fees
- Payments to purchase books, jumble sale items, food etc.
- Gifts of money from companies and PLCs.

- Payments for admission to events (jumble sales, concerts etc). If the donor gives more than the published ticket price the extra money is a donation and Gift Aid can be claimed. For example the ticket price is £2.00, the donor gives you £10.00, so the £8.00 difference is a donation, which can be Gift Aided.
- Payments for raffle or lottery tickets. This payment for a raffle ticket is buying the right to enter the raffle even if the chances of winning are very small or the prizes are worth very little!
- Money paid at Auctions unless the price you would normally have to pay for each item is told to everyone before the auction starts. The donors must be told that any money they pay extra to the cost is a donation. They can then ask you to treat it as a Gift Aid donation.
- Donations where the donor or someone related to them get a service or goods worth more than the benefits' limit!

## 5) What is a benefit and what limits are there?

Key principle: if a donor, or person connected to the donor, benefits significantly from their donation then Gift Aid cannot be claimed on their donation(s).

What is a benefit?

It is:

- 1) An item or service that the donor gets from the charity because they have given a donation to the charity.
- 2) An item or service that a relative of the donor gets because the donor gave a donation.

The Benefit Limits:

As a charity you can give whatever items or services you wish to encourage people to become involved with the charity. However if you want to claim Gift Aid on their donations, the benefits that you give to donors must be under the limits set by the HMRC. There are two ways of calculating limits:

- 1) The value of the benefits must be less than the limits set in the 'relevant value test' for donations made on or after 06/04/2007:

| Amount of donation | Maximum value of benefits |
|--------------------|---------------------------|
| £0 –100.00         | 25% of the donations      |
| £101 - £1000       | £25                       |
| £1001 –£50,000     | 5% of the donation        |
| £50,000+           | £2,500                    |

**Or**

- 2) The value of the benefits plus the value of any benefits received for any Gift Aid donations made by the same donor to the same charity earlier in the same tax year must be less than £500 for donations made up to and including 06/04/2007 ('aggregate value test').

After reading this information, if you are unsure or you are trying new fund raising activities, which offer your donors a service or gift, you should phone the HMRC Helpline (0845 302 0203) and ask for their advice.

For more information on benefit limits before 06/04/2011 please see HMRC's website.

## 6) What information do I need to keep?

The HMRC must be able to track back from an R68(i) form to each individual donation and the donor who gave it! You must keep information on the following:

- a. Each donor.
- b. Each donor's donation(s).
- c. All claims.
- d. All banking of donations and tax reclaimed.
- e. All letters or circulars you have sent or received relating to Gift Aid.
- e. All HMRC charity registration forms you have such as ChV1 (variation form)

## 7) What information do I need to keep for each donor?

The donor's full name – at the very least you must have the initials and surname.

The donor's home address at the very least you must have the house name or number, and the full postcode.

The donor's declaration(s) – this is their permission for your charity to claim Gift Aid on their donations. There are two types of declaration:

The 'unlimited declaration', which tells the HMRC that as a charity you can claim on anything the donor gives you, from the date shown on the Gift Aid declaration. The declaration can also include donations given for up to 4 years previously. These are the easiest declarations to look after.

The 'limited declaration', which tells the HMRC there is an end date. You cannot claim any Gift Aid on donations given after this date. A donation given in a one-off Gift Aid envelope is a good example of a limited declaration.

You must keep each declaration. You can record the Gift Aid declaration information on a computer but you must also keep the written declaration. However you can scan declarations and save them on a computer. As long as the individual declarations can be found and read the originals can be destroyed.

## 8) What information do I need to keep for each donor's donation(s)?

You must record:

The date each donation was given. For any donation that isn't cash, for example cheques or Standing orders, the date shown on your bank statement is the accepted donation date.

Why? Until that point the donation isn't regarded as having been made.

Does this matter? Yes - if you made a claim including a donation by cheque and that cheque isn't honoured the HMRC regard the donation as never having been made at all! You would have to refund the tax you had claimed on that donation.

The amount of the donation.

All one-off donation envelopes.

A sample of planned giving envelopes needs to be kept (see FAQ 10).

The fact that you can claim tax on it – some people may give you a mixture of donations, of which only some are Gift Aided. You need to identify the gift-aided donations.

If the donation was given for a particular purpose it needs to be recorded. For example if you make an appeal for building work the donations you receive should be recorded with a note of the purpose: 'Building Appeal'.

The HMRC is only interested in the full amount of the claim not the particular reasons for which the money was given. BUT the Charities Act states that money given for a particular purpose should only be used for that purpose. The implication is that the Gift Aid claimed on any gift should also be used for the purpose for which the donation was given.

You do not have to record the date the donation was included on a claim. However recording this date helps you to keep a track of donations so that you don't claim on them twice!

Some donors may also be paying tax at the higher rate. They can reclaim the difference between the basic rate tax given by HMRC to the charity and the full amount of tax they actually paid on the donation – confused? Here is an explanation:

#### ***Higher Rate Tax and Additional rate Payers:***

Gift Aid can only be claimed at the basic tax rate (at present 20%).

Some donors pay at income tax at the higher tax rate of 40% and / or Additional rate of 50%.

The Gift Aid received on a higher tax rate payer's donation is the same amount of money as if they had been a basic tax payer - 20%.

#### **Claiming back higher rate tax**

If a donor pays higher rate tax, he/she can claim the difference between the higher rate of tax 40% and/or 50% and the basic rate of tax 20% on the total 'gross' value of their donation to the charity or CASC.

#### ***For example,***

Callum gives you a donation £100, the total value of his donation to the charity is £125 - so he can claim back:

- £25 - if he pays tax at 40% ( $£125 \times 20\%$ )
- £37.50 - if he pays tax at 50% ( $£125 \times 20\%$ ) plus ( $£125 \times 10\%$ )

Callum must claim this additional tax relief on his Self Assessment tax return.

## **9) Do I need to keep copies of claims?**

Your charity should keep copies of all the R68(i) forms and older R68 Schedules and R68 Claim forms for every claim you make. These are part of the audit trail - they link the Gift Aid claimed to the donation and the donor.

## **10) What banking information do I need to keep?**

All financial records must be kept. The HMRC will want to check that the donations were paid into your charity's bank account or the cash spent by the charity. They also want to check that the Gift Aid was put in the bank account. To show this you must keep all the paying-in book stubs, bank statements and cash records.

## 11) Do I need to keep letters or information about Gift Aid?

Charities must remind their donors regularly to check that they have paid enough tax to cover the Gift Aid claimed back on their donations. A letter to the donor or a circular can do this. If it is a circular sent to donors then keep a list of the donors. If it is a public circular then keep a copy.

Charities may send information to donors about their giving. Copies of this information need to be kept.

A donor may write to cancel their declaration. In this case you should acknowledge the letter and keep both letters in the donor records.

Your charity needs to keep all circulars and letters sent by HMRC or to the HMRC.

Registration documents to be kept:

You do not need to register for Gift Aid BUT you need to be recognised as a charity by the HMRC – this is a separate process to registration with the Charity Commission.

For more information see HMRC's 'Guidelines for Charities' Chapter 3.

## 12) What about joint declarations?

Joint declarations can be completed, but each donor must either write their own name on the form, or they must each sign it. Tax must be reclaimed in individual names.

If, for example, a married couple fills in one declaration that covers their donation(s) they need to tell you how they want the donations divided for Gift Aid, for example: 50% and 50%, or 20% and 80%. The claim forms need to show the split for the tax claim and each partner must have paid individually the amount of tax needed to cover the tax reclaimed on their share of the donation.

Each person needs to be shown separately in the R68(i) Schedules.

It is far simpler to ask each donor to sign a separate declaration.

For more information see HMRC's 'Guidelines for Charities' Chapter 3.

## 13) What about payments from joint bank accounts?

What happens if a charity receives a cheque from a joint account and only one person has signed it? You can assume that the donation is from the donor who signed the Gift Aid declaration. If you are not sure simply ask the donor and put a note on the donor's record.

For more information see HMRC's 'Guidelines for Charities' Chapter 3.

## 14) What about cash collections?

You can only claim Gift Aid on a donation if you know who has given it and the donor has signed a Gift Aid declaration. So open collections or 'loose plate' collections cannot be Gift Aided unless the cash is given in a sealed envelope with the donor's name or reference number written on the envelope and covered by a valid declaration.

## 15) What about planned giving schemes – people give using envelopes?

Planned Giving envelopes for regular donations covered by a declaration do not need to be signed. Each donor should be given a numbered envelope and their name and envelope number recorded on a Donor Register.

When the envelopes are opened the amount and date of the donation should be written on the envelope and on the donor's record. You need to keep the Donor Register, the donor records and one sample month of envelopes for each of the last four years. For example if October is the busiest month for envelope giving then this would be a good month to keep!

## 16) What about one-off gift envelopes?

These are one-off envelopes for one-off gifts often used by visitors for example to a cathedral. The donor wants to help your charity but will not be a regular supporter. For these people you need to ensure that the envelope has the declaration text printed on it with a space for the donor to enter the date.

It is not strictly necessary for the donor to sign or date the declaration but it is helpful for ongoing declarations. The date the envelope was received can be used as the donation date. If the wording on the envelope states that the Gift Aid can only be claimed on the money in the envelope then it is a limited declaration and can only be used to claim on that one gift.

If the donation in these one-off envelopes is less than £10.00 you only need to keep the envelope for your audit trail – you do not need to transfer all of the information to an individual record.

Each envelope has to be kept for four years from the date the Gift Aid was claimed on the donation – because it is part of your audit trail.

***Whichever envelope is being used, the people who open the envelopes and count the money MUST write the amount of the donation on the envelope. The amount is then recorded on a separate sheet against the envelope number so that when the claim is made it is clear what each donor has given by envelope.***

## 17) Common Errors with one-off envelopes:

- 1) The people who open the envelopes tear them awkwardly so they rip off part of the information, for example the name or address. This means the audit trail is not complete.
- 2) The date and amount of the donation is not recorded on the envelope and / or the donor's record so the audit trail is not complete.
- 3) Envelopes are not kept for the full 4 years.

## 18) What about donations from companies?

There are different rules for donations from companies. Donations from companies are regarded as 'gross'. This means that the charity has been given a donation plus the tax that would have been paid on it.

HMRC accepts that the donation includes the tax. The company's corporation tax self assessment (CTSA) return shows the donation and corporation tax will not be paid on it.

The charity cannot claim Gift Aid on these donations.

## 19) What about donations that are not money?

If you have a shop and goods are donated for sale, it may be possible to receive Gift Aid for the donations. There are very clear rules about these donations. Put very simply for the charity to claim Gift Aid on donated goods the donor must:

- Have completed a declaration.
- Be told the price their goods will be sold for in the shop.
- Have the opportunity to receive all of the money the charity sells the goods for.
- Decide not to take some or all of the money.

You will need to keep records to show that you have done everything in the list.

For more information see HMRC's 'Guidelines for Charities' Chapter 3.

## 20) What information should be on a declaration?

The Declaration has two parts:

- 1) Information you want from the donor.
- 2) Information you need to give to the donor.

### 1) Information you want from the donor:

- Name: forename (or initial) and surname.
- Address: at the very least the house name or number and the full postcode.
- Date: the date that the Gift Aid declaration is valid from. If the donor wants to limit the Gift Aid declaration then they should also enter the date that the Gift Aid declaration ends.
- Signature – this is not required but it is good practice – people may forget or claim that they have not completed a Gift Aid declaration.

### 2) Information you need to give to the donor.

- The charity's name or a recognised abbreviation or logo.
- Statement of sufficient tax: you need a sentence which tells the donor that they need to have paid at least as much tax as is being reclaimed. Making sure enough tax has been paid is the donor's responsibility. If the donor hasn't paid enough the HMRC will ask them to repay the Gift Aid tax claimed on their donations. However in these cases most charities refund the money to the HMRC themselves.
- A sentence explaining Gift Aid donations – it sounds difficult but the HMRC offer as suggestions the following examples:

1. For the unlimited Gift Aid declaration (the most helpful and easiest to look after) the HMRC suggests:

'I want the charity to treat all donations I have made for this tax year and the four years prior to this year and all donations I make from the date of this declaration, until I notify you otherwise, as Gift Aid donations.'

2. If the Gift Aid declaration is a one-off gift declaration the sentence the HMRC offers two suggestions:

- a) 'I want the charity to treat the donation I made on \_\_\_\_ as a Gift Aid donation.'
- b) 'I want the charity to treat the enclosed donation of ----- as a Gift Aid donation.' – in this case the date the donation was received would be the date of the donation.

**Note:** Recording the information from a declaration on to a computer program is helpful but you must keep to the declarations too!

## 21) What about oral (verbal) Declarations?

People may tell you by telephone that they want to Gift Aid their donations. Other people may be physically unable to fill in a declaration, perhaps due to a disability but they are able to tell you to Gift Aid their donations. You can keep a 'tape recording' of the Gift Aid declaration information with the date it was given as the donor's declaration.

If you do not have a 'tape recording' then you must fill in a Gift Aid declaration using the information they have given you and the date they spoke to you. A copy of this Gift Aid declaration must be sent to the donor so that they can confirm their wish to Gift Aid their donations. A note should be included on the Gift Aid declaration telling the donor they are entitled to cancel the declaration within 30 days after the Gift Aid declaration is sent.

The Gift Aid declaration is not valid until you send the copy. If they cancel the declaration it will be as though the Gift Aid declaration had never been given. It is good practice not to claim on donations covered by an oral Gift Aid declaration until 30 days after the letter is sent. You must keep a copy of the Gift Aid declaration as part of the donor's record.

## 22) What if people want to cancel their Declaration?

A donor can cancel a Gift Aid declaration at any time. They let you know when they want the Gift Aid declaration to stop and you cannot claim Gift Aid on any donations they give after that date. If they let you know by letter or e-mail you must keep it. If they just tell you in conversation or over the phone you should send them a letter or e-mail confirming the cancellation.

## 23) What if people want to change their Declaration?

If a donor wants to change the description of the gifts shown on their declaration, for example to allow you to claim their gifts given in the past four years, they must cancel the original and complete a new one. If they have simply changed address or name and you keep a record of the change and the date they told between you there is no need to cancel the original declaration.

## 24) What if the charity's details change e.g. the authorised person changes?

When you first registered with the HMRC as a charity you gave all your details on either:

- the ChA1 HMRC Charity Application form or
- the CASC(A1) Community Amateur Sports Club (CASC) Registration.

The HMRC uses this information to process your claim. If any of the details change such as name, address, bank details, authorised person etc. you must tell the HMRC by filling in their form **ChV1 – Charities variation form**. You can find this form on the HMRC website.

Once you have sent the ChV1 to the HMRC leave **at least one month** before sending a claim. This is to allow time for the HMRC to update their records.

If the information you put on your claim is different to the information the HMRC has on record for your charity they will not process your claim.

## 25) What do I have to do to make a claim?

You need to make sure that all of the information you gave the HMRC is up to date (see FAQ 23 and 24). Then open the R68(i) on the HRMC website and begin to fill it in. You can also save the R68(i) form onto your computer and fill it in there.

When you first open the R68(i) you will see two pages with just four sections:

1. **About your organisation** – enter your information as shown on your charity registration.

If you have a large number of donors you can send the R68(i) as a file on a CD but you must tick the box in this section to confirm this.

2. **Accounting period** – this is simply the **last** day of your financial year for most charities.

BUT if your charity is a **trust** then the date you enter is the last day of the tax year even if you have a different financial year.

These dates enable the R68(i) to calculate the correct schedules for your charity.

3. **Payment details** – your HMRC charity registration documents had this information so these questions are simply a confirmation. If any detail has changed you need to fill in the ChV1 and send it to the HMRC at least a month before you claim. The Gift Aid will go directly to the charity's bank account or that of your nominated agent.

The HMRC are withdrawing cheque repayments. If they receive a claim but do not have your bank details they will send a cheque to your charity BUT you need to fill in the ChV1 with your bank details so that any future claims can be paid.

4. **Gift Aid schedules** – the information you have just entered is now used to create the schedules that you may need. **Simply click the 'create schedules' button.**

**Note:**

**The form creates schedules** for the last four years with the correct date ranges. It will take account of the loss of Transitional Relief and those years where there are tax rate changes – in these cases two schedules may need to be produced for the year. The R68(i) will provide the correct schedules for you to fill in.

You cannot claim Gift Aid on donations given more than four years ago. See Checklist K for time limits.

Check the date range on the first schedule and enter your first donor, the date their donation was given (or last date for a series of donations) and the total they gave during that date range. If you to put a date that is not within the range for the schedule a message appears telling you the problem. Click OK to the message and then change the date.

If you have another donor in that date range click on the + at the left of the schedule and a new line will appear for the next donor. When you have finished entering donors for that schedule just move to the next schedule and continue.

You can add together individual donations of less than £10 up to £500 on a line. This is called aggregating the claim. To do this put a reference or descriptive label in the Name box that will enable you to find the gift aid declarations for these donations. You cannot use this aggregation for admissions to an event or sponsored events. Finally you need to put a short note in the 'Additional information' section (read note in that section).

If you don't have any donors for a schedule just leave it blank.

As you are entering the donors and amounts the R68(i) is calculating the totals and the gift aid to be reclaimed. The form will keep growing as you enter information and the following sections will appear:

5. **Tax back calculation and amount of claim** – this section is only for you to check. You can not edit these figures. If the totals are not what you expect check the donations that you have entered and, if needed, correct them. As you enter changes to the donations the R68(i) will automatically update the totals in this section.
6. **Additional information** – This is the place where you put any information that can help the HMRC to understand the details on your R68(i). Here are two examples:
  - a. If you are aggregating donations on the R68(i) then type into this section 'This claim has been aggregated in accordance with the guidance.'
  - b. If your claim includes donations from sponsored events and you have included the total from each participating sponsor (you do not have to list all of the gift aiding donors on each sponsor sheet) then type 'Claim includes income from sponsored events and rather than list all sponsors we have listed the income as explained in the guidance.'
7. **Earliest payment date** – This is the first donation given and claimed for in this claim. Looking at the first schedule what would be the date of the first donation given. This may be the first date on the first schedule. But if your donors give regularly it will be the first donation of a series. For example Leslie gives £10 once a month, on the first schedule a date of 5th June is shown with an amount of £60 but the first donation Leslie gave was five months earlier on 5th January – on this R68(i) this is the earliest payment date.
8. **What to do now** – print the R68(i). It must be dated and signed by the 'authorised person'. This must be the same person that you named in the 'About your organisation' section of the R68(i) and also in your Charity registration or on a ChV1 form. You then post it to

HMRC Charities Repayments  
St John's House, Merton Road, Liverpool, L75 1BB.

**Do not write anything else on the form or the R68(i) will be sent back to you unprocessed to be filled in again.**

Do not send anything else with your claim unless it is about that claim.

Keep a copy of your claim.

The printed R68(i) does not look exactly like the R68(i) on the screen for example: to help the HMRC process the claim more quickly the 'Tax back calculation and amount of claim' section is printed on the first page. Also the Declaration and Signature section does not show on the form as you fill it in but it is printed out for you.

## 26) Can I use my own schedules?

Yes if your claim has more than 50 separate entries.

**Paper claims:** Your schedules must be typed (not hand written) and compiled using a computer program, such as Excel, which automatically adds up the figures. Once your schedules are complete you are ready to enter the basic information on to the R68(i).

To do this fill in the first sections of the R68(i) so that it creates the schedules. Enter the total from your schedule on to the donor's line in the same R68(i) schedule. Put 'see attached' in the name box and in the date box enter the last donation date on your schedule. Do this for each schedule, print the R68(i), sign and date it and attach the printed schedules to the R68(i).

**Claims on CD or DVD:** If you have more than 200 separate entries and you want to use your own schedules you can send the information on disk. However the information must be given in a set layout:

| Field   | Information                |
|---------|----------------------------|
| Field 1 | Donor ID                   |
| Field 2 | Doner Name                 |
| Field 3 | Date of Payment (dd/mm/yy) |
| Field 4 | Amount of Donation         |

You must send the information in a 'comma delimited text file' without field names or overall totals. For example:

|          |
|----------|
| 12345    |
| Ms Lee   |
| 01/01/11 |
| 50.00    |

As with the Paper claims fill in the first sections of the R68(i) so that it creates the schedules. Enter the total from each schedule on to the donor's line in the same R68(i) schedule. Put 'see attached' in the name box and in the date box enter the last donation date on your schedule. Do this for each schedule. Print the R68(i), sign and date it and send it with a CD or DVD, which only has the schedules for that claim to the HMRC. Do **not** put any other files on the CD or DVD.

***The HMRC will not accept the data as an email attachment.***

## 27) What are 'aggregated claims'?

If you receive a lot individual gifts of £10 or less you are allowed to group them together up to a limit of £500 and put them on one line of your R68(i) schedule. You can have a number of these lines on one schedule. Each donation must have a valid Gift Aid declaration. You also need to have a record of the donations that you grouped together for your audit trail. You must put a note in the 'Addition information' section of the R68(i) saying that you have aggregated the claim according to the HMRC guidance.

You cannot use aggregation for sponsored events or admissions to charity events.

## 28) What is 'Other Income' on the R68(i)?

This is money that you have received after tax has been paid (taxed income). Income on which you may be able to claim tax includes: Bank or Building Society interest, stocks, wayleaves, royalties, Discretionary Trust income, legacy income (the date of the income will be when the R185 (Estate Income) certificate was signed).

If you put this on the R68(i) it will automatically add it to your claim.

## 29) What about Sponsorship?

People will often take part in a simple sponsored event as a fund raising activity for a charity. The funds they raise do not belong to them so they cannot Gift Aid the money themselves.

However donors who have sponsored an event, may Gift Aid their donations. There are some limits to this sponsorship see the note below.

There are two ways that a donor can Gift Aid the sponsorship:

1. A Gift Aid declaration limited to the sponsored event date.
2. A sponsorship form that has the Gift Aid declaration sentences on each sheet with a Yes/No tick box for Gift Aid on the line completed by each donor. This form must also have the name of the charity.

Recommended format for each sponsor:

Sponsor's full name.

Sponsor's full address – or minimum of house name or number and their full postcode.

Amount pledged.

Amount collected.

Date collected.

Tick box to give permission for their money to be treated as a Gift Aid donation.

Printed guidelines for Gift Aid declarations.

To make claiming the Gift Aid on sponsorship easier you can use a declaration/sponsorship form that is approved by the HMRC and found on the HMRC website or the Gift Aid Toolkit. There are two options for claiming Gift Aid on sponsorship:

1. Enter each sponsor on a separate donor line on the R68(i).
2. Enter the person who was sponsored to do the event as the donor, the date of the event and a total of the gift-aided sponsorship they collected.

If you choose option 2 type, in the Additional information box, **'Claim includes income from sponsored events and rather than list all sponsors we have listed the income as explained in the guidance'**.

However you claim the Gift Aid you must keep the original sponsorship forms.

Good practice:

- If the donor who collects and banks the sponsorship money gives you a cheque it is very important that the cheque amount matches exactly the amount collected. (Many generous people will add extra money to 'make up' the gift to a round sum but that makes the audit trail difficult to track.)

If your charity makes a joint appeal with another charity the Gift Aid declaration and information with it should show how donations will be split between the charities. Each charity will need to keep copies of the declarations and records on how the gifts were split.

### Note:

If the person doing the sponsored event does NOT get a benefit from the event anyone can Gift Aid their sponsorship. BUT if the person does get a benefit then 'connected people' (mainly family - see Glossary for a definition) cannot Gift Aid their sponsorship.

For example a simple local walk to raise money for a charity the sponsored person does not get a benefit but if the walk took place in a national park some distance from the person's home they would be getting the benefit of the cost of a trip to a national park and 'connected people' could not Gift Aid their sponsorship.

### **30) What about donations to help missionaries and other full-time workers**

Gift Aid only applies to 'unfettered gifts' to a charity. Your charity cannot claim Gift Aid on donations where the donor has asked for the money to be used to support a relative / friend doing fulltime work for the charity. This is simply supporting a person and tax relief cannot be given.

However if a charity says to its workers:

'It costs us £\*\* a year to support you while you carry out your charitable work. We are asking you to raise at least this amount of money for the charity through donations from family, friends etc' These donations may qualify as Gift Aid donations if they have been given for the general work of the charity.

### **31) What if I make a mistake in the claim?**

For example you may have claimed for the same donation twice. You need to pay back to the HMRC the Gift Aid received for the extra donation. All refunds must be shown in your records.

For example Joel gave you one donation of £10.00, the Gift Aid = £2.50

But you recorded the donation twice, so the R68 Claim showed  $2 \times £10.00 = £20.00$  and HMRC gave you £5.00 in Gift Aid.

This means that the HMRC paid you £2.50 too much. You need to write a cheque for the refund amount of £2.50 and send it with a letter to the HMRC.

The letter needs to include the following information:

- a. The reason for the refund.
- b. The amount of the refund.
- c. The date of the claim and schedule that was wrong.
- d. The date and amount of the donation(s) that is wrong.
- e. The name of the donor(s).

You must keep a copy of this letter, and any reply the HMRC send, with the copy of the original claim form. Make a note of the refund on the donor's record and change your records to show the correct amount of Gift Aid claimed – in this case £2.50 rather than £5.00.

### **32) What happens if the HMRC audits the charity?**

Some charities are audited on a 'risk' basis and others are chosen randomly. The charity's trustees are responsible for making sure all Gift Aid claims are correct.

However since the 2008 budget if you claim less than £2500 each year and you have claimed up to £100 too much money because of mistakes in your records, the HMRC will only ask you to put the mistakes right and repay any money overpaid. You will not be asked to pay penalties.

Even if you claim more than £2500 each year an HMRC audit will point out any problems with your records but you will be able to repair them before the HMRC completes the audit. For example if a Gift Aid declaration is missing you can ask the donor for another one. This means there is far less chance of you having to pay a financial penalty.

### **33) How much warning do you get of an audit?**

Four weeks. You will get a letter, and a questionnaire with questions about your charity. This helps the auditor to understand your work. The auditor will tell you what donor and bank/cash records they want to see and usually this will be done at the charity's office.

### **34) What are they looking for?**

They are looking for a clear and correct audit trail. They want to check all the records used to make a claim: donors, declarations, donations, bank records, any cash envelopes and your procedures for keeping records. They also check that enough tax has been paid for the Gift Aid claimed and that the money has been received by the charity and is being used for charitable purposes.

### **35) What happens after the audit?**

On the day the audit is finished the auditor will talk to you about the results. If you have not claimed enough they will help you make another claim. If you have claimed too much they will tell you where the problems are and what repayments, if any, you will have to make. All this information will be sent to the charity's trustees by letter. In the majority of cases problems shown in the audit can be worked out in discussions between the auditor and the trustees. However there is an appeal process.

In the next couple of years the HMRC is working towards allowing you to destroy your paper Gift Aid declarations after 4 years (even valid declarations) if they have been recorded on a computer - a good reason to invest in high quality Gift Aid software!

### **36) How can I encourage people to Gift Aid their donations**

Most people like a bargain! Explain that if they complete a Gift Aid declaration it will increase their gift with no extra work on their part. However it needs a little more work on your part to get donors to complete a Gift Aid declaration. This involves giving donors:

- Information on Gift Aid.

- Access to Gift Aid envelopes and declarations.

- Feedback on Gift Aid.

Some people may not be able to Gift Aid (for example if they don't pay tax). It is therefore important to tell donors that all gifts are appreciated and welcome, even if they cannot be giftaided.

### **37) What Gift Aid Information should I present?**

Use the 'giftaid it' logo –

To get a copy of the logo, contact: HMRC or go to [www.datadevelopments.co.uk](http://www.datadevelopments.co.uk) for a free download.

Put Gift Aid information in regular newsletters or circulars.

Put notices about Gift Aid on prominent notice boards.

Update the notices regularly so they don't become 'scruffy' or, as often happens, people stop 'seeing' them at all!

Give the notices a humorous twist every so often to keep people interested.

Make sure the notices include the following – it is easy to forget the basics:

*giftaid it*

Giftaid it logo.

Simple sentence on what Gift Aid is.

Simple illustration of the effect it can have.

The name of the local contact.

*(If it isn't possible to put declarations next to the notice board include a note to say where they can be found!)*

Where to put the completed declarations (very close to the notice board) or the person to give it to.

A 'thank you' for taking the time to read the notice.

Take some time at a public meeting or service to tell people about Gift Aid. The treasurer or the minister may not be the best one to speak about money. You may find an external speaker or a member of your charity who is enthusiastic, knowledgeable and able to communicate well!

Make sure you know what cannot be Gift Aided (see FAQ:4) so that you don't have to change the information already published!

Tell people that they can make an oral declaration if they prefer and give them the contact details of the person(s) they need to speak too.

### **38) How can I make access to Gift Aid easier?**

Make sure that you have lots of declarations and Gift Aid envelopes put in places where people can pick them up easily.

Have declarations available in large print.

Make the writing on envelopes clear and the print size not too small (font size 14pt is helpful).

Make sure the people who will take oral declarations are available regularly and can be spoken to privately.

Make sure the envelopes are easily available every time there is a meeting, event or service.

If a sponsorship event is discussed make sure that people know they may be able to Gift Aid their sponsorship. Remember to use the adapted sponsorship forms.

### **39) What feedback should I give?**

Give a general thank you at your annual or quarterly meetings to all for helping make the Gift Aid scheme work.

Send people an annual thank you letter, which could include how much they have given, and what has been received in Gift Aid. A total of donations is often required by people for their personal tax return.

Publish the total money that has been given and how much money was claimed back in Gift Aid.

Give an example of what the extra Gift Aid money received was used for.

### **40) How could computers help?**

Managing Gift Aid will always need time and patience. Using a computer with a dedicated Gift Aid administrator program can help. How?

A good Gift Aid program will save time and help to limit mistakes. It enables you to enter donor information with their donations quickly and easily. When you are ready to make a claim the program will check which donations can be included on the claim and then perform the tax reclaim calculations automatically.

High quality software will print the R68(i) forms automatically so that all you need to do is check and sign them. All gifts you have claimed for are marked and locked so that you cannot claim on the same gift twice!

With a good Gift Aid program Thank you letters for donors and their tax statements can be printed at the click of a few keys. When the treasurer asks for information on giving, a good program can provide up to date statistics on the donations received and the way donors are supporting the charity.

Using a good Gift Aid program means your audit trail is easier to manage and the paper copies of declarations, Gift Aid envelopes and claims that you still need to keep are not so overwhelming.



# 4. Common Gift Aid Terms and what they mean

## Terms Meanings

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|                                |   |
|--------------------------------|---|
| 4 year limit                   | You can claim Gift Aid for donations given up to four years before the claim is made. Also HMRC can look at your records for the previous four years. If there are errors you can be asked to pay back money for the previous four years.   |
| Aggregate amount               | Donations of less than £10 each, added together and the total put on one line on the Schedule.<br><br>This amount cannot be more than £500 on each line of a schedule. This cannot be used for Sponsorship claims.  |
| Accounting (or financial) year | This is <b>normally</b> a twelve-month period after which you have to give a report on the money the charity has received and spent over that time. For example the Church of England's accounting year is 1st January – 31st December.<br>If your charity is not a trust it will be treated as a charitable company for Gift Aid tax purposes and your charity will claim Gift Aid based on its accounting year.<br><br>However if your charity is a trust your accounting year is the same as the tax year. |
| Appeals                        | A public request for donations for a specific purpose.<br><br>You can claim Gift Aid on donations given to appeals. If it is a joint appeal between two or more charities you need to tell the donors before they give, the way their donation will be split between the different charities. Each charity can only claim Gift Aid for the money due to them.   |
| Auctions                       | An auction is a public sale of goods or services in which the people who wish to buy offer a bid (or price) and the person with the highest bid buys the goods.<br><br>You cannot claim Gift Aid on money paid for items in the auction – <b>unless</b> you tell everyone before the auction starts the full commercial value of each gift, and that it is available for the public to buy. You can then claim Gift Aid on the amount they have paid over and above the stated value of the gift.             |
| Audit (Gift Aid)               | The HMRC has to check that the tax paid to a charity is the correct amount. To do this they inspect the charity's records to check the audit trail.   |
| Audit trail                    | The records that show where the Gift Aid you have claimed has come from:<br>Gift Aid reclaimed → Donation → Donor's declaration → Donor.<br><br>The bank paying-in stubs and bank statements to show that the charity has received the donations and reclaimed tax.  |
| Authorised Person              | The person the charity has chosen to be responsible for claiming Gift Aid tax on their donations and signing the R68(i) form.   |

|                                 |  |
|---------------------------------|--|
| BACS Payments                   | Payments made directly into the charity's bank.  |
| Bank Records                    | Any information you have received from or sent to the bank.  |
| Basic Tax Rate                  | This is the income tax rate set by the government at the basic level – at the time of printing this is 20%   |
| Benefits                        | <p>If the donor receives anything in return for their donation it is called a benefit.</p> <p>If the benefit is worth more than a certain percentage of the money given, the charity may not be able to claim Gift Aid on the donation.</p> <p>See Chapter 3 para 3.25 for more information, or FAQs.</p>  |
| Chapter 3                       | The third chapter of the 'HMRC 'Guidelines for Charities'.   |
| Claim                           | The way in which you receive the tax from the HMRC. The claim is the completed R68(i) form signed by the authorised person and sent to the HMRC.   |
| Connected person                | <p>A person is connected with a donor if that person is:</p> <ul style="list-style-type: none"> <li>• The wife or husband</li> <li>• A relative (brother, sister, ancestor (eg mother) or lineal descendant (eg grandson)</li> <li>• The wife or husband of a relative</li> <li>• A company under the control of the donor, or under the control of a connected person.</li> </ul> |
| Correspondence name and address | The charity must choose a person that the HMRC can write to if there are any problems or queries with the charity's claim. That person's name and address must be shown on the R68(i) form.  |
| Donation                        | Any gift given to a charity. The gift has to be money if the charity wants to reclaim Gift Aid on it.  |
| Donor                           | Any person who gives the charity a gift.   |
| Donor Record                    | Any information you keep about a person who gives the charity a donation.  |
| Electronic Gift Aid Declaration | All the information required for a Gift Aid Declaration is sent by email or fax, completed on a web page, or supplied by telephone.  |
| Expense waiver                  | A charity can offer to pay people money to cover their bus fares, petrol etc. If instead of taking the money the volunteer tells the charity to keep it - this is an expense waiver. It is not a donation so you cannot claim Gift Aid on the money. However, if you pay the expenses, and the person then gives you money as unrelated donations this may be Gift Aided.          |
| Financial Records               | Any information kept on anything to do with the charity's money and how it is managed.   |

|                           |   |
|---------------------------|---|
| Financial year            | See 'Accounting year'.  |
| GAD                       | Gift Aid Declaration.   |
| Gift Aid Declaration      | The agreement a donor signs that allows your charity to reclaim Gift Aid tax on their donations   |
| Gift Aid Declaration Date | The date that the declaration was signed.   |
| Gift Aided donations      | Any donations that are covered by a valid Gift Aid declaration.   |
| Gift Aid Secretary        | The person the charity has chosen to be responsible for managing reclaiming Gift Aid on the charity's donations. This is usually the authorised person.   |
| Gift Aid Software         | Computer programs designed to help charities to manage their Gift Aid records, claims, reports and to provide statistical analysis for the charity.   |
| Gift Aid admissions       | A charity may offer donors the opportunity to Gift Aid the admission they are charged to visit grounds, buildings etc. For more information on Gift Aided admissions please see Chapter 3, paragraph 48.  |
| Gift                      | Any donation given to a charity. The donation has to be money if your charity wants to reclaim Gift Aid on it.  |
| Give as you Earn (GAYE)   | A scheme whereby an employer makes donations from the gross pay of an employee to a charity / charities of the employee's choice. No further tax can be reclaimed.  |
| Higher Tax rate           | This is the amount of income tax people who earn over £40,835 per year have to pay in the tax year. At the time of printing the higher tax rate is 40%.   |
| HMRC                      | Her Majesty's Revenue and Customs. Their job is to ensure the correct tax is paid at the right time, whether this relates to payment of taxes received by the department or entitlement to benefits paid.   |
| HMRC Helpline             | Her Majesty's Revenue and Customs' dedicated telephone number, which is staffed by people able to answer questions about tax including Gift Aid.  |
| HMRC Inspection           | Part of the HMRC work is to ensure that tax has been collected correctly and has been repaid correctly.<br><br>To do this they can check all the financial records of the charity to make sure that the Gift Aid reclaimed was for genuine donations covered by valid declarations. |
| HMRC Regulations          | These are the detailed rules the HMRC has published and use to ensure that the correct taxes are collected and paid. The Gift Aid rules (or regulations) can be found in Chapter 3 of the 'Guidelines for Charities'.   |

|                                       |   |
|---------------------------------------|---|
| HMRC Website                          | Website: <a href="http://www.hmrc.gov.uk">www.hmrc.gov.uk</a>   |
| Interest                              | <p>a) Money paid to the charity from investments or bank accounts.</p> <p>b) If your charity claims Gift Aid on donations for an earlier accounting period the HMRC will also pay you the interest on the amount claimed. BUT if you have incorrectly claimed Gift Aid the HMRC may ask for the Gift Aid to be repaid with interest.</p>  |
| Invalid Gift Aid Declaration          | <p>This is a Gift Aid Declaration that does not have all of the information needed or the information is not clear.</p> <p>It may be that the information cannot be read, that the wording is out of date or that the person has ticked all options instead of one. The charity cannot reclaim Gift Aid on any donations covered by that declaration. You need to ask the donor either to correct the errors or, preferably, to complete a new declaration.</p>                     |
| Joint declarations                    | One Gift Aid declaration that has been completed by two people – for example a married couple. It is always more simple to ask the donors to fill in separate Gift Aid declarations.  |
| Loan waiver                           | <p>A donor gives your charity money but on the understanding that you will pay it back – this is a loan and you cannot claim Gift Aid on it.</p> <p>If the donor tells you that you do not need to repay the loan - this is a loan waiver. It is still not a donation so you cannot claim Gift Aid on the money. However, once you have paid the money back there is nothing to stop the donor giving it to you as a gift, using Gift Aid. It must be an unrelated transaction.</p> |
| Missionary / full time worker support | <p>If the donor tells the charity their donation is only to be used to support one specific worker/missionary then the charity cannot claim Gift Aid on the donation.</p> <p>See Guidelines for Charities Chapter 3 for more information.</p>   |
| Non Gift Aided donations              | Any donation given freely to a charity by a donor who has not completed a Gift Aid declaration.   |
| One-off gift                          | Any single donation given by a donor who does not expect to give any more donations to your charity. If the donor fills in a Gift Aid declaration your charity can claim Gift Aid on the donation.  |
| Oral Gift Aid Declaration             | A Gift Aid declaration given verbally (for example over the phone). For more information see Guidelines for Charities Chapter 3.  |
| Payroll Scheme                        | See Give as you Earn. Gift Aid cannot be claimed on these donations as the payment is gross.  |
| Personal Tax Statements               | A statement produced by the charity listing the donations and the dates they were made by a donor. It is used by the donor for their tax returns.   |

|                       |  |
|-----------------------|--|
| Planned Giving Scheme | Schemes developed to encourage donors to give on a regular basis, often by weekly/monthly envelopes.   |
| R68(i)                | The form, sent by the charity to the HMRC, that specifies the full amount of tax being reclaimed on donations during a specific period. It includes the list of donors and their donations.  |
| R68 Schedule          | The part of the R68(i) form that lists the donors and the total amount of money they have given during the specified date range.   |
| Reclaimed Tax         | The money paid by HMRC to your charity as a result of receiving your R68(i) forms.   |
| Regular gifts         | Any donations given by a donor to a charity weekly, monthly, quarterly etc.  |
| Schedule              | Shortened name for R68 Schedule.   |
| Sponsored event       | This is an activity arranged to raise money for a charity by getting people to take part in an activity and asking others to give money to the charity if the activity is completed.   |
| Sponsored person      | This is the person who has agreed to complete the sponsored event.   |
| Sponsors              | These are the people who, if their chosen person completes the event, have agreed to give money to the charity.  |
| Tax Calculation       | This is the calculation you make to find out how much tax you can reclaim on the Gift Aided donations.<br>$\text{Tax to be reclaimed} = \frac{\text{donations} \times 20}{80}$ <p>This assumes the tax rate is 20%.</p>  |
| Tax liability         | Money owed to the government.<br>It is tax which has not yet been paid. Gift Aid that should not have been claimed and must be paid back to the HMRC is a tax liability.   |
| Tax rate              | The % of income which the government collects from individuals or companies to pay for government spending. The basic tax rate at the time of printing is 20%.   |
| Tax year              | 6th April of one year to the 5th April of the following year.  |
| Thank you Letters     | A very good practice. These letters can be a simple thank you to the charity's donors that can include information on the donor's donations and how much tax the charity has been able to claim. Good Gift Aid software will include a range of thank you letters. |

### Valid from

The date from which you can start claiming Gift Aid on the donations for a donor. The date depends on the wording of the Gift Aid declaration.

If it is a limited Gift Aid declaration for a one-off donation the valid from date will be the date shown on the envelope or the date the envelope was given to the charity.

If the Gift Aid declaration uses a sentence such as 'all gifts for the last four years and all future gifts until I notify otherwise' the valid from date is four years prior to the date of the Gift Aid declaration was signed.

### Valid Gift Aid Declaration

This is a declaration that has all the information required and the information is clear. It is a valid declaration for gifts given within the dates covered by the declaration.

### Valid to

The date the donor has set, after which any donations they give you are not valid for Gift Aid. You can of course ask them to complete another Gift Aid declaration with a later date or no ending date at all.

## Useful Addresses

Gift Aid Toolkit:

See HMRC - Free copies are available on request

HMRC:

HM Revenue & Customs Charities

St John's House

Merton Road

LIVERPOOL

Merseyside

L75 1BB

Tel: 0845 302 0203

Fax: 0151 472 6268

[www.hmrc.gov.uk](http://www.hmrc.gov.uk)

Gift Aid Toolkit:

[www.hmrc.gov.uk/charities/gift-aid-toolkit.htm](http://www.hmrc.gov.uk/charities/gift-aid-toolkit.htm)

Gift Aid Web Information Service:

[www.direct.gov.uk/giftaid](http://www.direct.gov.uk/giftaid)

Parish Resources Website:

[www.parishresources.org.uk](http://www.parishresources.org.uk)

Information on Tax-effective Giving Initiative:

[www.tax-effectivegiving.org.uk](http://www.tax-effectivegiving.org.uk)



**data developments**

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