

CHAPTER 3

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3.1 Introduction

- 3.1.1 This chapter covers the revised Gift Aid Scheme, as introduced from 6 April 2000 (1 April for companies) by Finance Act 2000. In order to place the changes in Finance Act 2000 in context, Section A gives a brief outline on the old Gift Aid and Deed of Covenant schemes. If charities need further information on these previous schemes they should telephone or write to IR (Charities).

SECTION A: BACKGROUND

3.2 Gift Aid pre-April 2000

- 3.2.1 The original Gift Aid Scheme was introduced in 1990. It enabled United Kingdom resident individuals and companies to give single gifts of money to charity tax-effectively, but it required a minimum amount to be given. Non-close companies could give any amount.
- 3.2.2 The individual or company made a donation net of basic rate tax and gave the charity a certificate (R190(SD) for individuals and R240(SD) for companies). The individual must have had at least as much income chargeable at the basic rate as the amount of the gross donation. Companies were required to deduct basic rate tax from the donation and pay it over to the Inland Revenue.
- 3.2.3 If the individual paid tax at the higher rate he or she could get relief on the gift on the difference between the basic and higher rate on the grossed-up amount. A company deducted the grossed up amount of the donation as a charge in its corporation tax computation.
- 3.2.4 Charities receiving Gift Aid donations could reclaim basic rate tax on the donations, provided they were in receipt of a valid certificate from the donor and could demonstrate a clear audit trail linking the donation to the donor.
- 3.2.5 If the donor received benefits from the charity worth more than 2.5% of the net gift, the gift would not qualify for Gift Aid. The maximum total benefits received by the donor from any one charity in a tax year could not be worth more than £250.

3.3 Tax relief for covenanted donations to charity pre-April 2000

- 3.3.1 Regular payments made by individuals and companies to a charity under a Deed of Covenant were paid after deduction of basic rate tax. The charity could claim back from the Inland Revenue the basic rate tax deducted from the payment.
- 3.3.2 The individual must have paid at least as much income tax at the basic rate as the amount of tax reclaimed by the charity on the payment. If the amount reclaimed by the charity exceeded the amount paid by the covenantor, the Inland Revenue might require the individual to pay the tax difference. Companies were required to deduct basic rate tax from the covenanted payment and pay it over separately to the Inland Revenue.
- 3.3.3 If the individual paid tax at the higher rate, he or she could get relief on the payment on the difference between the basic and higher rate on the grossed-up amount. A company deducted the gross amount of the payment as a charge in its corporation tax computation.

- 3.3.4 Charities receiving covenanted payments could reclaim basic rate tax on the payments made, provided the covenant was legally valid, lasted for over three years and a clear audit trail could be demonstrated linking the payment to the donor.
- 3.3.5 There was no statutory limit on the benefits which could be received in relation to payments made to a charity under a Deed of Covenant. However, for payments of £100 made under a Deed to a membership charity, benefits up to 25% of the net amount of the payments were ignored for tax purposes.

SECTION B: GIFT AID FOR INDIVIDUALS FROM APRIL 2000

3.4 Introduction

3.4.1 The Gift Aid scheme was amended by Finance Act 2000 for donations made by individuals on or after 6 April 2000. The main changes were to:

- abolish the £250 minimum limit for Gift Aid donations, so that the scheme applies to any donation, whether large or small, regular or one-off
- withdraw the separate tax relief for payments made under a Deed of Covenant and give all relief for such payments under the Gift Aid scheme
- replace the requirement for donors to give the charity a Gift Aid certificate with a requirement to give a new, simpler and more flexible Gift Aid declaration
- allow donors to give a written Gift Aid declaration by post, by fax or by internet or an oral declaration over the phone or face to face.
- allow
 - Crown servants and members of the UK armed services serving overseas, and
 - other non-UK-resident individuals who make donations out of income or gains charged to UK tax,

to use the new Gift Aid scheme.

3.5 Commencement date

3.5.1 In the case of donations by individuals, the new Gift Aid measures apply to:

- covenanted payments falling due on or after 6 April 2000, and
- all other donations made on or after 6 April 2000.

3.5.2 Where a covenanted payment due before 6 April 2000 was made on or after that date:

- the Gift Aid scheme will not apply to the payment
- the existing rules for Deeds of Covenant will continue to apply to the payment.

In particular, the rule entitling the charity to reclaim tax at the basic rate in force when the covenanted payment falls due, rather than when it is made, will continue to apply to the payment.

Example

Mr MacDonald made a Deed of Covenant in favour of his local church, promising to pay £5 a week by until 31 December 2000. Mr MacDonald was unable to attend church on Sunday 2 April 2000, but paid £10 on Sunday 9 April 2000. The £5 due on 2 April 2000

will come under the Deed of Covenant scheme, and tax can be reclaimed at the basic rate of 23% (the tax rate in force when the payment was due). The £5 due on 9 April 2000 will come within the Gift Aid scheme (as will future payments under the Deed). Tax can be reclaimed at the basic rate of 22% in relation to this amount.

3.6 Abolition of the £250 minimum limit

- 3.6.1 From 6 April 2000, the £250 minimum limit for Gift Aid donations was abolished. From that date the charity can reclaim tax on any donations made by individuals, whether large or small, regular or one-off – provided the other conditions for the tax relief are satisfied. In particular, the charity will still have to be able to show an audit trail (see section 3.36 below) from the donation to a donor who has given a Gift Aid declaration which covers that donation. For Gift Aid declarations, see section 3.10 below.
- 3.6.2 Each charity will need to decide, from its own circumstances, whether it wishes to reclaim on small Gift Aid donations. For some charities it may not be cost effective to claim on donations below a certain threshold. For a small charity that can call on plenty of volunteers, it may be cost effective to claim on all Gift Aid donations. Whether a charity makes a claim on a Gift Aid donation or not, it is still possible for the donor to claim higher rate relief on the gross amount of the donation, provided he or she has completed a Gift Aid declaration and met the other conditions of the scheme.

Example

A donor who pays higher rate tax makes a Gift Aid donation on 30 June 2000 of £3 to a charity to which he has made a declaration. The charity has a policy of not claiming on donations below a threshold of £5, because it is not cost effective to do so. It therefore does not claim back the tax of £0.85 on the donation (£3 × 22/78).

The donor, however, can include the donation of £3 amongst any other donations on her tax return. Higher rate relief of £0.70 (£3.85 × 18%) will be due.

3.7 Who can make a Gift Aid declaration?

- 3.7.1 Before 6 April 2000, only donations by UK-resident individuals could qualify as Gift Aid donations. From April 2000, the following will qualify:
- donations by individuals who are resident in the UK
 - donations by individuals who are Crown servants or members of the UK armed forces serving overseas
 - donations by other non-resident individuals, provided they have income or capital gains charged to UK tax at least equal to the gross amount of the donation (i.e. the donation before deduction of basic rate income tax).

3.8 Methods of donation

- 3.8.1 Donors must donate their own money. The donation can be made by cash, cheque, direct debit, credit card, debit card, postal order or standing order. 'Telegraphic transfer' is also acceptable. Donations can be made in sterling or any foreign currency. When calculating claims the charity must convert foreign currency into sterling at the rate on the date when the donation was made.
- 3.8.2 Donations by cheque are only valid pending clearance of the cheque. If the cheque is not honoured a donation has not been made.

- 3.8.3 A donation must be a payment of a sum of money. A donation cannot be made in kind, by loan waiver or by debt/loan conversion.
- 3.8.4 Subject to the benefits rules outlined below in Section D, outright payments to a charity in return for services, rights or goods are not gifts to charity and so are not eligible for Gift Aid tax relief. For example, the following cannot come within the Gift Aid scheme:

Payment

- of school fees for a specific person
- to purchase books, jumble sale items, food etc
- for admission to events (jumble sales, concerts etc)
- for raffle or lottery tickets (including 100 clubs etc). The payment to purchase a raffle ticket from a charity is not a gift to that charity but a payment for the right to enter the raffle. It is immaterial that the chance or expectation of winning a prize is small or that the value of the prize maybe negligible.

Also payments that have already received tax relief or are made by one charity to another cannot be Gift Aid payments. For example, payments:

- under a Payroll Giving scheme
- by charity voucher.

3.9 Tax to cover

- 3.9.1 From 6 April 2000, donors no longer need to pay income tax at the basic rate equal to the tax reclaimed by the charity on their donations. Instead, donors have to pay an amount of income tax and/or capital gains tax, whether at the basic rate or some other rate, equal to the tax deducted from their donations. This means that donors who previously may have paid tax at a marginal rate between the lower and basic rates of tax (and therefore had not paid enough tax at the basic rate to cover the tax reclaimed by the charity) will no longer have additional tax to pay.
- 3.9.2 Even though a donor cannot receive payment of non-payable tax credits on dividends paid by UK companies, those credits can be used by the donor to cover the tax reclaimed by the charity on the donation. Tax deducted from bank and building society interest etc., and not repaid, can also be used to cover the tax reclaimed by the charity.
- 3.9.3 Prior to 6 April 2000 donors could only claim higher rate tax relief for their donations against income tax they paid. From 6 April 2000 donors will be able to claim higher rate tax relief for their donations against both income tax and/or capital gains tax.
- 3.9.4 The position of a taxpayer making Gift Aid donations can change from one tax year to the next. Charities are recommended to remind donors on a regular basis of the need for them to have paid sufficient income and/or capital gains tax on their donations. It need not be done in a separate letter to each donor, but could be included in any material sent to supporters (a newsletter, for example).

3.10 Gift Aid declarations: introduction

- 3.10.1 From 6 April 2000, Gift Aid certificates were replaced by new, simpler and more flexible Gift Aid declarations. Before a charity can reclaim tax on a donation by an individual, it must have received a Gift Aid declaration from the donor containing certain information and confirming that the donation is to be treated as a Gift Aid

donation. Without this declaration, a donation from an individual will not qualify under the scheme.

3.10.2 Donors will be able to give the charity a declaration:

- in advance of their donation, at the time of their donation, or at any time after their donation (subject to the normal time limit within which tax can be reclaimed – normally around six years)
- to cover a single donation or any number of donations
- in writing (e.g. by post, by fax or electronically through the Internet) or orally (e.g. over the phone or face to face).

3.10.3 The amount of information required by law on a Gift Aid declaration has been kept to the minimum consistent with proper administration of the tax relief and the need for the charity to be able to show an audit trail. Charities may well wish to add further information and notes of their own on their declaration forms. It may also be necessary for the charity to add further information to satisfy other legal requirements. For example:

- if the charity plans to use the information provided by the donor for any use other than reclaiming tax, the Data Protection Act 1998 requires you to explain this
- if a registered charity in England and Wales incorporates the Gift Aid declaration in appeals literature, the Charities Act 1993 requires a charity to include a statement that it is a registered charity. Under Scots law, Scottish charities are required to include a statement that they are recognised charities.

3.10.4 The Inland Revenue has no objection to charities incorporating declarations into other documents, such as standing order mandates or Deeds of Covenant. These documents may contain more than the minimum requirements laid down in the legislation.

3.10.5 Charities will need to design their own Gift Aid declarations. There is no official form produced and available from the Inland Revenue (but see paragraph 3.10.6 below). Charities should ensure that the declarations satisfy all the requirements set out in the paragraphs below and any other legal requirements under the Data Protection Act, the Charities Act, etc. There is no need to get the Inland Revenue's approval for own-design declarations, but IR (Charities) will be happy to review declarations if a charity wants. If a charity or fund-raiser wants the Inland Revenue to comment on a declaration, they should contact:

for charities in England, Wales and Northern Ireland

Inland Revenue (Charities)
St John's House
Merton Road
BOOTLE
Merseyside
L69 9BB

Tel. 0151 472 6035
Fax. 0151 472 6268

, or for charities in Scotland

Inland Revenue (Charities)
Meldrum House
15, Drumsheugh Gardens
Edinburgh
EH3 7UL.

Tel. 0131 777 4040
Fax. 0131 777 4045

3.10.6 Appendix B1 to these Guidance Notes contains an Inland Revenue model declaration form, which you can use or adapt if you wish. The model declaration contains some notes over and above the minimum requirement. You do not have to include all of these notes in your own-design declaration form. Those notes in **bold type** must be included if the declaration form is to be valid.

3.11 What a Gift Aid declaration must contain

3.11.1 All Gift Aid declarations must contain:

- the donor's name
- the donor's address
- the charity's name
- a description of the donations to which the declaration relates
- a declaration that the donations are to be treated as Gift Aid donations

and, except in the case of a declaration given orally:

- a note explaining the requirement that the donor must pay an amount of income tax and/or capital gains tax equal to the tax deducted from his or her donations.

3.11.2 There is no **statutory** requirement for a declaration to be signed and dated.

3.11.3 A date is needed on the declaration only where it serves to identify that a particular donation or donations are to come within the scheme. For example, if the declaration stated that *'all donations I make from today'* were to be Gift Aid donations, clearly a date would be required. A date would not be required, however, where the declaration stated, for example, *'all donations I make to the charity from 6 April 2000'*.

3.11.4 In the case of a written declaration, the charity may wish to pre-print most of the information on the declaration form. For example, the charity's name might be pre-printed. Charities need to bear in mind, however, that a donor might later wish to deny that he or she made a declaration. If there is no part on a written declaration completed by the donor, the charity will find it difficult to prove that the declaration was genuine.

The donor's name and address

3.11.5 In order to ensure that the charity can establish an audit trail to the donor from a donation, the charity should get as full details of the donor's name and address as possible. In the event that IR (Charities) audits the tax reclaim and the information held is insufficient to enable the auditor to trace the donor, the charity may have to get further information to show that the tax reclaim is correct. If the charity cannot get the further information, it is likely that the declaration will be considered invalid.

- 3.11.6 Ideally, the charity should obtain the donor's full name. At the very least it should get his or her initials and surname. And it should also get the full postal address, including, in particular, the postcode.
- 3.11.7 If a donor subsequently changes his or her name or address, this will not invalidate the declaration. If the charity is notified of a change in the donor's name or address, it must keep a record of the updated information. The declaration itself does not need to be amended, but a record of the change should be kept on the charity's database.

The charity's name

- 3.11.8 The charity's full name, usual name or acronym will suffice, provided it is adequate to identify the charity.
- 3.11.9 Declarations can include the name of more than one charity – for example, where a joint fund-raising event takes place. In such a situation charities need to ensure that:
- the donor is aware how his or her donation is to be split between the charities listed on the declaration, and
 - the charities keep records to show how the donations have been divided between them. Both charities will need to be able to produce a copy of the declaration, if required.

Description of the donations to which a declaration relates

- 3.11.10 Any appropriate description can be used. For example:

- "the donation of £x I made to you on dd/mm/yy", or
- "the enclosed donation", or
- "all donations I make under the direct debit mandate below", or
- "all donations I make on or after the date of this declaration", or
- "all donations I make from this date until further notice", or
- "all donations I have made since 6 April 2000 and all donations I make hereafter".

- 3.11.11 Whether the charity chooses from one or more of the above descriptions or devises its own, it is important to get the description right. The declaration will not cover any donations received that fall outside the description used.
- 3.11.12 Depending on the description used, a declaration may apply indefinitely to future donations. There is no requirement for such declarations to be renewed periodically, but see paragraph 3.9.4 above about reminding donors concerning tax to cover.
- 3.11.13 If a donor wishes to alter the description of the donations to which a declaration relates, they should cancel the declaration and make a fresh one. Declarations do not need to be cancelled when, for example, the donor changes his or her address.

Declaration that donations are to be treated as Gift Aid donations

- 3.11.14 Again the charity can devise appropriate wording. For example:
- "Please treat my donations as Gift Aid donations", or
 - "I want my donations to be Gift Aid donations", or

- “Please reclaim tax on my donations”, or
- “I want the charity to reclaim tax on my donations”, or
- “I want the charity to reclaim tax on my donations Yes/No
(delete as appropriate)”, or
- “Tick here if you want us to reclaim tax on your donations []”.

Note explaining the tax requirement

3.11.15 Again the charity can devise appropriate wording. For example:

- “You must pay an amount of income tax and/or capital gains tax equal to the tax we reclaim on your donations”, or
- “Remember to notify us if you no longer pay an amount of income tax and/or capital gains tax equal to the tax we reclaim on your donations”.

3.12 Written declarations

3.12.1 Written declarations include declarations made on paper or electronically. The former can be handed, posted or faxed to the charity by the donor, and the latter can be made online via the Internet.

3.13 Oral declarations

3.13.1 In the case of an oral declaration, the person taking the declaration on behalf of the charity might recite information already held by the charity to the donor and ask him or her to confirm it, rather than asking the donor to recite the information him/herself.

3.13.2 If a charity receives an oral declaration it must send the donor a written record of the declaration showing:

- all the details provided by the donor in his or her oral declaration
- a note explaining the requirement that the donor must pay an amount of income tax and/or capital gains tax equal to the tax deducted from his or her donations
- a note explaining the donor’s entitlement to cancel the declaration retrospectively within 30 days (see paragraph 3.14.3 below)
- the date on which the donor gave the charity the declaration, and
- the date on which the charity sent the written record to the donor.

3.13.3 An oral declaration will not be effective unless and until the charity or its representative sends the donor the written record of the declaration. The charity cannot reclaim tax in respect of a donation covered by an oral declaration until it has sent the written record. Once the written record has been sent, the charity can reclaim tax in respect of any donations covered by the declaration, even if they were received before the written record was sent. If the oral declaration is cancelled within the 30-day period, however, any reclaimed tax will have to be repaid to the Inland Revenue (see paragraph 3.14.3 below).

3.13.4 The written record of the declaration does not have to be recorded on paper. For example, the charity’s representative might record the details on a computer, with an electronic copy being e-mailed to the donor, or a hard copy sent by post. If the charity uses an electronic means of recording the donor’s information, it will need to demonstrate to IR (Charities) at an audit that the electronic recording of the information generates a written record sent to the donor.

3.14 Cancellation of written and oral declarations

- 3.14.1 Donors are entitled to cancel their declaration at any time. They may do so by notifying the charity in any form of communication. The charity should keep a record of the cancellation of a declaration, including the date of the donor's notification.
- 3.14.2 Subject to paragraph 3.14.3 below, cancellation of a declaration has effect only in relation to donations received by the charity on or after:
- the date on which the donor notifies the charity of the cancellation, or
 - such later date as the donor may specify in the cancellation.

The charity must not reclaim tax in respect of such donations. However, any donations received before the date of the donor's notification will still qualify as Gift Aid donations.

- 3.14.3 If a donor who has given the charity an oral declaration cancels it within the period of 30 days after being sent the written record, the cancellation will have retrospective effect, so that it will be as if the declaration had never been made.

3.15 Particular types of declaration

Joint declarations by spouses etc.

- 3.15.1 It is possible for spouses and persons living together to make a joint declaration on the same form. The joint declaration must include the full names and address of both. Both parties will need to make clear to the charity from whom each donation originates, or how a joint donation is to be split for purposes of the charity's records. Likewise, the donors will need to record similar details for purposes of their own tax affairs. The charity will need to list each person and their part of the donation separately on the R68 (Gift Aid) schedule form accompanying the claim.

Partnership declarations

- 3.15.2 In England, Wales and Northern Ireland a business partnership does not have legal personality. So, a donation by a partnership is treated as made by the underlying partners. One partner may make a Gift Aid declaration on behalf of all the partners, provided he or she has the power to do so under the terms of the partnership agreement or some other instrument given under seal. In that case it will be sufficient for the declaration to show the name and address of the partnership. Otherwise, it will be necessary for each partner to make their own Gift Aid declaration. They may do so on the same declaration form, provided it lists all their names and addresses.
- 3.15.3 In Scotland, a partnership has legal personality. So, in all cases, one of the partners may make a Gift Aid declaration on behalf of the partnership, showing the name and address of the partnership.
- 3.15.4 The partners should enter their share of the donation on their own Self-Assessment return. How the donation is apportioned between the partners is a matter for them to decide, but, unless there is evidence to the contrary, it will be assumed to be in accordance with their share of the partnership profits.

Declarations linked to sponsored events

- 3.15.5 The money raised from a sponsored event does not belong to the individual who has been sponsored and is not his or hers to give as a Gift Aid payment. However, it is possible for the individual amount raised from each sponsor to count as a Gift Aid donation from that sponsor.
- 3.15.6 The person being sponsored may ask the sponsors to make a separate declaration to the charity for which he or she is raising the money – this is likely to be on a one-off donation type of declaration supplied to the participant by the charity.
- 3.15.7 Alternatively, it is possible for charities to design a sponsorship form that can also be used as a joint declaration form. The suggested format is for the declaration to be placed at the head of each sheet, with each sponsor being able to opt to have his or her sponsorship money paid to the charity as a Gift Aid donation by, for example, ticking a box. The recommended method is to have the following boxes below the declaration for each sponsor to complete:
- Sponsor's full name
 - Address, including post code
 - Amount pledged
 - Amount collected
 - Date collected
 - Tick box to have amount treated as a Gift Aid donation.

The date when the sums collected were handed over to the charity should also be entered on the form. A copy of a model Gift Aid sponsored event form can be found at Appendix B2.

- 3.15.8 The details outlined in the first three bullets above would be collected from the sponsors by the participant prior to the event, with the other details being entered on the form when the money is collected.
- 3.15.9 The participant will need to ensure, if the money collected is banked in his/her own account before a cheque is sent to the charity, that the sum on the cheque matches the amount collected on the sponsorship forms so that the charity is provided with a clear audit trail.
- 3.15.10 The charity can use a declaration/sponsorship form that has been approved by IR (Charities) as a substitute for the R68 (New Gift Aid) schedule that accompanies the claim (on which, see Section 6.4). The original should be retained by the charity and a copy sent with the repayment claim. It is recommended that claims made for this type of donation be made on a separate R68 tax claim form from those relating to other types of donors. You should provide a summary of the items eligible for Gift Aid and calculate the tax claimed on that total. Alternatively, for large events, charities can use the modified procedure set out in paragraphs 6.6.9 - 6.6.14 of this guidance.
- 3.15.11 IR (Charities) is happy to advise charities on how to operate Gift Aid for sponsorship events, and to review draft sponsorship/declaration forms.

3.16 Deeds of Covenant – transitional arrangements

- 3.16.1 From 6 April 2000 there is no longer a separate tax relief for payments made by an individual (or a company) under a Deed of Covenant – in future all tax relief for such payments is under the Gift Aid scheme. As a transitional measure, charities do not have to get a Gift Aid declaration in respect of payments under a Deed of Covenant that is already in existence before 6 April 2000. The Deed of Covenant will stand in

place of the Gift Aid declaration. However, any donations made outside the terms of the Deed, or after expiry of the Deed, must be covered by a separate Gift Aid declaration.

3.16.2 Payments made under a Deed of Covenant executed on or after 6 April 2000 must be covered by a Gift Aid declaration. Where a charity wishes to continue with the use of Deeds of Covenants for donors, these can also be used as declarations provided all the information required in the declaration is given on the Deed.

3.16.3 The abolition of a separate tax relief for payments made under a Deed of Covenant to a charity does not mean, of course, that such deeds will cease to exist. It does mean that they are no longer required so that a charity can reclaim tax on the donations. Some charities may decide to continue to obtain Deeds of Covenant from their supporters in order to secure a regular flow of income. If they do so, they will need to make sure they also obtain a Gift Aid declaration from the donor, or ensure the Deed contains the necessary elements required in such a declaration.

Example

Mrs Jones has a Deed of Covenant in force with her local church to pay £2 weekly. The Deed commenced on 1 January 2000, and will cease on 31 December 2003. On 1 September 2000 she increased her weekly donations to £3 per week.

Mrs Jones will need to make a Gift Aid declaration in relation to the additional £1 a week she is giving, if she wants the amount to come within the scheme. Even if she does not, she will need to make a declaration after December 2003 if her original donations of £2 are to continue to be tax effective.

Alternatively, if Mrs Jones is willing, the church may decide to cancel the covenant with effect from 6 April 2000 and replace it with an open Gift Aid declaration in relation to all donations made by her on or after 6 April 2000.

Mrs Jones can make a Gift Aid declaration from 6 April 2000, even if the covenant remains in force, to cover the deed payments and any other donations she may make to the church.

3.16.4 From 6 April 2000 IR (Charities) will no longer give advice on the drafting of Deeds of Covenant for individuals (or companies).

Deposit covenants

3.16.5 A loan or deposit covenant is an arrangement under which the covenantor pays to the charity a lump sum equal to all the payments which will fall due over the life of a Deed of Covenant. The lump sum is treated as a loan or a deposit and the payments under the Deed are treated as being paid from this fund as they fall due.

3.16.6 For Gift Aid purposes, however, payment will be deemed to have been made when the lump sum is made over to the charity, and tax relief for the charity and donor will be for the year in which this occurs. Charities will need to ensure, if they continue to seek deposit covenants, that any loans or deposits they receive from a supporter who has an open Gift Aid declaration in place are supported by a deed making over the amount to the charity over a period of time. Loans or deposits that are returnable should not feature in a Gift Aid claim.

- 3.16.7 As a transitional concession, however, payments due under a loan or deposit covenant on or after 6 April 2000 which were prepaid before 6 April 2000 will be treated as new Gift Aid donations paid on the due date. The amount due under the deed will be treated as paid on the date it is converted from a loan or deposit to a payment. This will ensure that tax relief will not be lost, as would otherwise be the case, on loan or deposit covenants taken out prior to 6 April 2000.
- 3.16.8 Additionally, in the case of deposit covenants in existence at 5 April 2000, the outstanding loan can be converted into a Gift Aid payment, providing there is evidence that the charity are content to release the donor from the covenant and the donor wishes the deposit to be treated as a donation.

SECTION C: GIFT AID FOR COMPANIES FROM APRIL 2000

3.17 Introduction

- 3.17.1 From 1 April 2000 Gift Aid donations made by companies to charities must be paid without deduction of income tax. No declarations are required. There are also special rules for companies owned by charities, allowing them to set off the donation in an earlier accounting period than the one in which the donation was made.

3.18 Commencement date

- 3.18.1 In the case of donations by companies, the new Gift Aid measures will apply to all donations – including covenanted payments – made on or after 1 April 2000, (even if paid under a Deed of Covenant executed before that date).

Example

A Deed of Covenant executed on 1 April 1999 provides for a company to make covenanted payments of “such an amount as after deduction of tax equals £1,000”. While the basic rate is 22 per cent, the company is required to make gross payments of £1,282 (£1,282 less tax at 22 per cent = £1,000). From 1 April 2000, the company will simply pay the gross amount (£1282) and claim tax relief for this amount when calculating its profits for corporation tax.

3.19 Abolition of the £250 minimum limit

- 3.19.1 From 1 April 2000, the £250 minimum limit for Gift Aid donations by close companies was abolished.

3.20 Non-resident companies

- 3.20.1 From 1 April 2000, non-resident companies within the UK corporation tax regime can make Gift Aid donations. However, non-resident companies within the UK income tax regime cannot make Gift Aid donations.

3.21 Deduction of tax

- 3.21.1 From 1 April 2000 companies, including companies owned by a charity and unincorporated associations, such as clubs and societies, must no longer deduct tax from their Gift Aid donations.

- 3.21.2 The charity cannot reclaim tax on donations it receives from a company on or after 1 April 2000. There is no space on the claim form R68(2000) for a claim to tax repayment on company donations. If a company incorrectly deducts tax from its donation, the company should be told about the new rule and asked to pay to the charity the sum it has incorrectly deducted. The change to gross giving for companies is noted on the CT61(Z) returns issued quarterly to companies.

3.22 Declarations

- 3.22.1 From 1 April 2000 the company making the Gift Aid donation no longer completes a certificate (R240(SD)) or makes a declaration.

3.23 Records

- 3.23.1 As far as the charity is concerned, it need do no more than keep the necessary accounting records normally required to record donations. The company should retain any correspondence with the charity in relation to the donation (a 'thank you' letter, for example), as evidence of making the donation.

3.24 Carry-back to a previous accounting period

Introduction

- 3.24.1 Charities often set up wholly owned companies to carry out activities that might result in an income tax or corporation tax liability if carried out by the charities themselves. This is because some activities fall outside the tax exemptions afforded to charities in the Taxes Acts. These companies often enter into a profit-shedding Deed of Covenant with the parent charity, or Gift Aid arrangements, under which they pay to the charity a sum equivalent to the profits assessable to corporation tax. Some deeds may provide for a percentage of the taxable profit to be paid, or even a fixed amount.
- 3.24.2 Under normal corporation tax rules, companies can only claim a deduction for a charge (such as a Gift Aid donation) in their tax computations in the accounting period in which the charge was paid. If a company wished to pay over to charity an amount equal to its corporation tax profit, it would be obliged to determine that profit by the end of the accounting period. This would be difficult to do because the accounts of the company would not have been drawn up at that stage.
- 3.24.3 Under the provisions introduced by Finance Act 2000, payments made by a company under a profit-shedding deed to a charity will fall within the Gift Aid Scheme if made on or after 1 April 2000. They are paid without deduction of tax and without the need for a declaration, as detailed above in sections 3.21 and 3.22.
- 3.24.5 Unlike other types of companies, charity-owned companies have nine months from the end of the accounting period in which to determine the amount they wish to give or are obliged to pay to the charity under a profit-shedding deed. They can then claim the deduction against the corporation tax profits of the accounting period to which the payment relates.

Commencement

- 3.24.6 The new Gift Aid provisions in relation to charity-owned companies come into force for donations made on or after 1 April 2000, even if the donation relates to an accounting period which ended on or before 31 March 2000.

Example

The shares in Charity A Enterprises Ltd are all owned by Charity A. The company's accounting periods end on the 31 December. In the year ended 31 December 1999 it made a corporation tax profit. Provided it made a Gift Aid donation to its parent charity on or after 1 April 2000, but not after 30 September 2000, the donation could be deducted as a charge in the company's corporation tax computations for the accounting period ended 31 December 1999.

Estimated donations

3.24.7 With the removal of the requirement for companies to deduct tax from Gift Aid donations, IR (Charities) no longer repay any tax or require over-repayments from charities to be adjusted. For Gift Aid purposes, IR (Charities) will simply expect to see an amount deducted in the charity-owned company's accounts and a matching entry in the charity's accounts. Where a charity-owned company makes a donation to its parent charity, to extinguish any corporation tax liability, and this proves to be excessive and is partly repaid by the charity, IR (Charities) will expect to see some sort of evidence that the intention was to pay over the annual profits (correspondence, Board minutes or profit-shedding deed), and that any money paid over was clearly provisional or loaned until the profits were finalised. If there were a need for the charity to repay some of the money, again IR (Charities) would look for evidence of the purpose of the payment by the charity to the company. In cases where the charity-owned company makes Gift Aid donations less than the full amount of the corporation tax profit within the nine-month period, no further relief can be given in the company's earlier accounting period for any remaining profit subsequently paid over in Gift Aid donations to the charity.

Charity-owned companies

3.24.8 The nine-month carry-back facility only applies to companies that are wholly owned by a charity. In the case of a company limited by share capital, this means that all the ordinary share capital must be owned by one or more charities. The share capital can be owned directly or indirectly (through an intermediate company, for example).

3.24.9 However, charity-owned companies are not confined to ones limited by share capital. Some companies controlled by charities are limited by guarantee. This type of company is also included in the nine-month carry-back provisions if every person who is beneficially entitled to

- participate in the company's profits, or
- share in the net assets at a winding-up

is a charity or a company wholly owned by a charity. The Memorandum and Articles of a company limited by guarantee will normally indicate if the company meets the conditions outlined above.

SECTION D: BENEFITS RECEIVED BY DONORS

3.25 Introduction

3.25.1 Charities may wish to give a token of appreciation by way of a thank you to their donors for their donations. Modest benefits received in consequence of making a donation will not stop the donation from qualifying as a Gift Aid donation, provided their value does not exceed certain limits. If a charity wishes to provide benefits to its donors – for example, as part of a membership scheme – it should consider whether the benefits it

intends to provide fall within the limits in the donor benefit rules given below. If the benefits exceed the limits, then the donation cannot qualify under the Gift Aid Scheme.

3.25.2 In order to decide whether a donation can qualify under the Gift Aid Scheme, the charity needs to determine:

- whether the donor, or a person connected with the donor, receives any benefits in consequence of making the donation, other than of the type detailed in Section 3.27 below, which can be ignored.
- if benefits are received, whether their value exceeds the limits in the donor benefit rules.

3.25.3 A person is connected with the donor if that person is

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

3.26 What is a benefit?

3.26.1 A benefit is:

- any item or service
- provided by the charity or a third party
- to the donor or a person connected with the donor
- in consequence of making of the donation.

3.26.2 If goods or services are provided for the donor by an unconnected third party entirely unsolicited by either the charity or the donor, such goods or services will not be considered to be benefits for the purposes of these rules.

3.27 What is not a benefit?

Acknowledgements

3.27.1 A mere acknowledgement of a donor's generosity in a charity's literature (e.g. a theatre programme) or on a plaque etc will not amount to a benefit, provided the acknowledgement does not take the form of an advertisement for the donor's business (as might be evidenced by the size and prominence given to the acknowledgement). The wording should be confined to thanks for the support the donor has given, together with the donor's name, and/or their logo.

Right of admission to view heritage property or wildlife

3.27.2 A free or reduced-price right of admission to property is disregarded if:

- it is to view property, the preservation of which is the charity's sole or main aim, or
- it is to view wildlife, the conservation of which is the charity's sole or main aim, and

- it is restricted to the donor and members of his or her family, and
- it is available to any member of the public who makes a similar donation.

3.27.3 This relaxation of the donor benefit rules does not apply if the benefit extends beyond a right of admission to view property or wildlife (e.g. a right of admission to a heritage property to attend a concert). Depending on the objects of the charity, however, the relaxation may extend to the viewing of property or wildlife that is not directly under the control of the charity (to view a heritage property belonging to another similar charity by a reciprocal agreement, for example).

3.27.4 The relaxation does not apply if the benefit extends beyond the donor and members of his or her family. For this purpose, “members of the family” means the donor’s parents, spouse, children and their spouses.

3.27.5 The Inland Revenue recognises, however, that, in practice, charities:

- will often want to lay down rules for the maximum number of people that a donor may bring into the charity’s premises, and
- cannot be expected to check the identity and family relationship of people who seek admission to their premises.

The Inland Revenue will therefore accept that rules that are intended to restrict the right of admission to family groups – such as a right of admission for the donor and up to two other adults and six children –satisfies the “members of the family” test.

3.28 The donor benefit rules

3.28.1 The donor benefit rules contain two limits for the value of the benefits that a donor, or a person connected with the donor, may receive in consequence of making a donation. If the value of the benefits received exceeds either of these limits, the donation will not qualify as a Gift Aid donation. A donation will not qualify if:

- the value of the benefits exceeds the limits in the table at paragraph 3.29.1 (the relevant value test), or
- the value of the benefits plus the value of any benefits received in consequence of any Gift Aid donations made by the same donor to the same charity earlier in the same tax year exceeds £250 (the aggregate value test).

3.29 The relevant value test

3.29.1 The limits for the relevant value test are:

<i>Amount of donation</i>	<i>Value of benefits</i>
<i>£0-100</i>	<i>25% of the donation</i>
<i>£101-1,000</i>	<i>£25</i>
<i>£1001+</i>	<i>2.5% of the donation</i>

These limits apply separately to each donation.

3.29.2 Special rules apply to “annualise” the amount of certain donations and the value of certain benefits for the purposes of applying the limits. Broadly, in the case of subscriptions under a membership scheme, the limits normally apply by reference to the

amount of the annual membership subscription and the value of the annual membership benefits. This way:

- a charity can tell whether the benefits in its membership scheme will exceed the limit simply by looking at the annual membership subscription and the annual membership benefits
- the result will be the same whether the donor pays the subscription in a single payment, or half-yearly, or quarterly, or monthly.

When these principles are borne in mind, the calculations for the relevant value test can be seen in context.

3.29.3 Annualising applies where a benefit:

- consists of the right to receive benefits at intervals over a period of less than twelve months, or
- relates to a period of less than twelve months, or
- is one of a series of benefits received periodically in consequence of making a series of donations at intervals of less than twelve months, or
- is a one-off benefit received in consequence of making a donation that is one of a series of donations made at intervals of less than twelve months.

3.29.4 In each of the first three categories, the amount of the donation and the value of the benefit are annualised, so that the limits in the table at paragraph 3.29.1 apply by reference to the annual amount and the annual value respectively. In the final category, the amount of the donation, but not the value of the benefit, is annualised, so that the limits in the table at paragraph 3.29.1 apply by reference to the annual amount of the donation and the actual value of the benefit.

3.29.5 Annualising is done by:

- multiplying the amount of the donation or the value of the benefit by 365, and
- dividing the result by
 - the number of days in the period of less than 12 months, or
 - the average number of days in the intervals of less than 12 months.

In practice, where the period or the intervals are measured in calendar months, annualising can be done by reference to calendar months, rather than days.

3.29.6 The following examples illustrate how the relevant value test works:

Example 1

Ms Smith makes four unconnected donations to a wildlife charity as follows:

<i>Date</i>	<i>Amount</i>	<i>Benefits</i>
<i>6 May 2000</i>	<i>£30</i>	<i>nil</i>
<i>21 June 2000</i>	<i>£10</i>	<i>nil</i>
<i>18 August 2000</i>	<i>£25</i>	<i>nil</i>
<i>5 February 2001</i>	<i>£80</i>	<i>fashion book worth £30</i>

As no benefits are received in consequence of making any of the first three donations, they all pass the relevant value test.

The book received in consequence of making the fourth donation does not fall into any of the categories at paragraph 3.29.3, so annualising does not apply. As the value of the book (£30) exceeds the limit of £20 (i.e. 25% of the £80 donation) the fourth donation fails the relevant value test and so cannot qualify as a Gift Aid donation.

Example 2

Mr Patel makes a single payment of £240 to a medical charity, in consequence of which he receives the right to receive 12 free monthly computer magazines worth £2.50 each. The benefit of the right to receive the magazines is therefore worth £30 (£2.50 x 12).

The right to receive the magazines does not fall into any of the categories at paragraph 3.29.3, so annualising does not apply. As the value of the right to receive the magazines (£30) exceeds the limit of £25 (i.e. the limit for donations of £100 – £1,000) the donation fails the relevant value test and so cannot qualify as a Gift Aid donation.

Example 3

Mrs O'Connor makes a single payment of £120 to the same medical charity, in consequence of which she receives the right to receive six free monthly computer magazines worth £2.50 each. The benefit of the right to receive the magazines is therefore worth £15 (£2.50 x 6).

The right to receive the magazines falls into the first category at paragraph 329.3 (a right to receive benefits at intervals over a period of less than twelve months) so annualising applies. The limits in the table at paragraph 3.29.1 therefore apply by reference to the annual amount of the donation £240 (£120 x 12 ÷ 6) and the annual value of the right to receive the magazines £30 (£15 x 12 ÷ 6). As the annual value of the right to receive the magazines exceeds the limit of £25 (i.e. the limit for donations of £100 – £1,000) the donation fails the relevant value test and so cannot qualify as a Gift Aid donation.

Example 4

Mr Green makes a single payment of £120 to a performing arts charity, in consequence of which he receives the right to a five per cent discount on theatre tickets purchased in the next six months. The benefit of the right to the discount is worth, say, £15.

The right to the discount falls into the second category at paragraph 3.29.3 (a benefit relating to a period of less than 12 months) so annualising applies. The limits in the table at paragraph 3.29.1 therefore apply by reference to the annual amount of the donation £240 (£120 x 12 ÷ 6) and the annual value of the right to the discount £30 (£15 x 12 ÷ 6). As the annual value of the right to the discount exceeds the limit of £25 (i.e. the limit for donations of £100 – £1,000) the donation fails the relevant value test and so cannot qualify as a Gift Aid donation.

Example 5

Miss Tomkins makes monthly payments of £20 to a medical charity under an open-ended standing order, in consequence of which she receives a free monthly computer magazine worth £2.50.

The right to receive the magazines falls into the third category at paragraph 3.29.3 (a benefit which is one of a series of benefits received in consequence of making a series of donations at intervals of less than twelve months) so annualising applies. The limits

in the table at paragraph 3.29.1 therefore apply by reference to the annual amount of the donation £240 (£20 x 12 ÷ 1) and the annual value of the right to receive the magazines £30 (£2.20 x 12 ÷ 1). As the annual value of the right to receive the magazines exceeds the limit of £25 (i.e. the limit for donations of £100 – £1,000) the donation fails the relevant value test and so cannot qualify as a Gift Aid donation.

Example 6

Mr Wong makes monthly payments of £2 to a charity under an open-ended standing order. In consequence of starting the payments he receives a one-off benefit of a free pen worth £5.

The pen falls into the fourth category at paragraph 3.29.3 (a one-off benefit received in consequence of making a donation which is one of a series of donations made at intervals of less than twelve months) so annualising applies to the donation, but not the benefit. The limits in the table at paragraph 3.29.1 therefore apply by reference to the annual amount of the donation £24 (£2 x 12 ÷ 1) and the actual value of the pen £5. As the value of the pen does not exceed the limit of £6 (i.e. 25% of the £24 annual donation) the donation passes the relevant value test and so can qualify as a Gift Aid donation.

3.30 The aggregate value test

3.30.1 In addition to satisfying the relevant value test, the value of the benefits received in consequence of a donation must also satisfy the aggregate value test if the donation is to qualify as a Gift Aid donation. In other words:

- the value of the benefits received in consequence of making the donation
- plus the value of any benefits received in consequence of any Gift Aid donations by the same donor to the same charity earlier in the same tax year
- must not exceed £250.

The value of benefits is not annualised for the purposes of the aggregate value test. It is the actual value, as opposed to an annual value, of the benefits that counts.

3.30.2 For example, suppose in example 1 in paragraph 3.29.6 above Ms Smith makes two further donations to the charity in the tax year 2000-2001 as follows:

<i>Date</i>	<i>Amount</i>	<i>Benefits</i>
11 March 2001	£9,600	weekend break worth £225
4 April 2001	£4,000	dinner for two worth £90

As the value of the weekend break does not exceed the limit of £240 (i.e. 2.5% of the £9,600 donation) the fifth donation passes the relevant value test. Furthermore, it passes the aggregate value test (it is not aggregated with the benefit worth £30 received in consequence of the fourth donation, because that donation did not qualify as a Gift Aid donation).

As the value of the dinner for two does not exceed the limit of £100 (i.e. 2.5% of the £4,000 donation) the sixth donation passes the relevant value test. However, it fails the aggregate value test, because the value of the dinner for two plus the value of the

weekend break exceeds £250. Therefore, the sixth donation cannot qualify as a Gift Aid donation. The other five donations are unaffected.

3.31 Valuing donor benefits

- 3.31.1 The valuation of donor benefits can be difficult. The starting point should be to look at the value of the benefits made available. Where the item or service, or a comparable item or service, is sold to the public (whether by the charity or someone else) on arm's length terms (for example, a ticket to attend a performance by a charitable opera society), the value of the benefit will generally be the sale price to the public. Where the value of the benefit is less immediately obvious, the charity will need to determine how much someone dealing with it at arm's length would be prepared to pay for the benefit. Evidence might be obtained from similar transactions in the commercial sector.
- 3.31.2 The value to be arrived at is the value to the recipient. Consideration in the form of a third party discount or benefit may cost the charity nothing to provide but will still be of value to the recipient.
- 3.31.3 Where a benefit takes the form of attendance at an event that is not open to the public (so that there is no ticket price) the benefit should be valued by reference to the cost to the charity of staging the event and the number of people in attendance.
- 3.31.4 Where a benefit is given in return for a life membership subscription the value of all benefits that will be received over the lifetime of the membership must be estimated when valuing the benefit. For practical purposes the benefits received over the first 10 years of membership will be taken as the benefits received over the life of the member when deciding whether the benefit limits have been breached.
- 3.31.5 Where the benefit takes the form of, for example, a discount on purchases from a museum shop, the valuation needs to take account of factors such as the take-up of the discount by the average donor.

3.32 Provision of literature

- 3.32.1 Where a charity sends literature to its donors, the Inland Revenue will accept that the value is nil provided the material is produced for the purpose of describing the work of the charity. The material must be relevant to and distributed in furtherance of the objects of the charity. The fact that the literature has a cover price and is also on sale to members of the public is not relevant. This means that literature like newsletters, bulletins, annual reports, journals, members' handbooks and programmes of events will generally carry no value for the purposes of the donor benefit rules.

3.33 Charity auctions

- 3.33.1 When an item is purchased at auction, the sale price can normally be taken as the value of the item. However, the Inland Revenue recognises that when a person purchases a lot at a charity auction they may intentionally pay more than it is worth in order to support the charity. If it can be shown that the market value of a lot purchased at a charity auction is less than the sale price paid for the lot, the lower figure can be taken as the value of the lot. This will only apply where an item has a clear and recognisable value. Where the value of an item has been enhanced, for example because it has been owned by a celebrity, the market value will not be the original price of the item but the amount it fetches in the auction.

Example 1

A travel agent gives a weekend break that normally retails for £225 as a lot for a charity auction. Ms Smith purchases the weekend break with a bid of £9,600. As the value of the weekend break does not exceed the limit of £240 (i.e. 2.5% of £9,600) the payment of £9,600 passes the relevant value test and so can qualify as a Gift Aid donation.

Example 2

A famous pop music star gives a pair of her shoes for a charity auction. These shoes normally retail for £150. Mr Webster purchases the shoes with a bid of £10,000. Although the shoes retail for £150, because a celebrity has owned them, their value has been considerably enhanced. The market value for these shoes will be £10,000, and the Gift Aid Scheme cannot be used.

- 3.33.2 Even if a purchase at a charity auction fails the relevant value test, it might still be possible to pay by means of a split purchase (on which, see section 3.34 below).

3.34 Split payments

- 3.34.1 Where the value of benefits would exceed the limits in the donor benefit rules, the donor may specify that part of his or her payment is to be treated as payment for the benefits and part is to be treated as a donation. This treatment can only apply where the item has a readily ascertainable value and the excess has a clear donative purpose. Provided the donor specifies this before, or at the time of making the donation, the part of the payment that is specified as a donation may qualify as a Gift Aid donation, provided it satisfies all the conditions for the tax relief. The charity and donor should keep evidence of how the payment was to be split – a copy of a dated letter accompanying the payment, for example. Alternatively, separate payments could be made.

3.35 Donations to support missionaries and other full-time workers for a charitable cause

- 3.35.1 Gift Aid only applies to unfettered gifts to a charity for its charitable purposes. Donors earmarking money for the support of relatives are, in principle, no different from those generally making payments to support other relatives, for whatever reason. These are not tax relieved. Once a Gift Aid payment has been received it is for the charity to show that its income has been applied for charitable purposes only. Gifts given on condition, rather than hope or expectation, that they will be used to feed and clothe a relative are likely to breach the benefits rules for Gift Aid.
- 3.35.2 The Inland Revenue takes the view that donations to cover the costs incurred by a charity such as a missionary society in supporting the relative of the donor, as a missionary, can qualify under the Gift Aid scheme provided the missionary society is not merely channelling a donation to the donor's relative. Where, for example, a missionary society says to its workers *"It costs us £10,000 a year to support you while you carry out your charitable work. We look to you to raise at least this amount of funds for the society through donations from family, etc"* the donations may qualify under the Gift Aid scheme. Where, on the other hand, a missionary society says to its missionaries *"It is up to you to support yourself while you carry out your charitable work, with the help of your family, etc. If your family wish to send you money they can do so via the Society"* payments will **not** qualify under the Gift Aid scheme.
- 3.35.3 This situation equally applies where a church, for example, supports the charitable work of a Christian worker. The Christian worker is unlikely to be in the employment of the

Church and so the onus in demonstrating that payments made to particular individuals are unfettered and only applied for charitable purposes falls to the trustees of the church.

SECTION E: KEEPING GIFT AID RECORDS

3.36 Introduction

3.36.1 In order to operate the Gift Aid scheme, charities need to keep records to show how much has been received from each donor who has made a declaration. Charities must keep sufficient records to show that their tax reclaims are accurate. In other words, they must keep records that enable them to show:

- an audit trail linking each donation to an identifiable donor who has given a valid Gift Aid declaration, and
- that all the other conditions for the tax relief are satisfied (provision of benefits, for example).

3.36.2 If a charity does not keep adequate records it may be required to pay back to the Inland Revenue tax reclaimed, with interest. It may also be liable to a penalty under the Self-Assessment rules.

3.37 Records to be maintained

3.37.1 The form of records to be kept is not prescribed in the legislation and has not changed significantly as a result of the revised Gift Aid measures. In practice, it will depend on the size of the charity, the number of donors and the kind of systems used.

3.37.2 In the event that IR (Charities) audits the tax reclaim, the auditor will usually ask to see, as appropriate, in respect of a donation:

- any written Gift Aid declaration
- in the case of an oral Gift Aid declaration, a copy of the written record sent to the donor
- any correspondence to or from the donor which relates to the donation, including
 - any notification of a change of name or change of address
 - any notification of the cancellation of the Gift Aid declaration
- the charity's bank statements
- the charity's bank paying-in book stubs showing details of cheques and cash banked
- statements received from credit card companies showing details of credit card donations
- the charity's cash book recording the receipt of cash donations
- if the charity uses envelopes to collect cash donations, a sample of the envelopes and a record of the sums enclosed
- any other records the charity keeps relating to the donation.

3.38 Means of keeping records

3.38.1 The charity does not have to keep records on paper. They may be held on the hard drive of a computer, floppy disc or CD-ROM, or stored on microfiche. If records are kept on computer, it is advisable to make regular back-ups and store these in a different location to the computer. Further details on the procedures to follow when transferring original records onto microfiche or an electronic medium can be found in section 7.4 in Chapter 7 below.

3.39 How long should records be retained?

3.39.1 Please see section 7.3 in Chapter 7.

3.40 Using envelopes to collect cash donations

3.40.1 Charities may choose to collect cash donations in envelopes, such as church stewardship envelopes, so that they can show an audit trail linking the donation to the donor. For one-off donations, charities may choose to pre-print the Gift Aid declaration on the envelope for completion by the donor. If the donor is a regular supporter, the charity may already hold his or her Gift Aid declaration, in which case the envelope need simply contain either:

- the donor's name, or
- some other unique identifier, such as a reference number which can be cross-referenced to a donor register.

3.40.2 Where a unique identifier is used, such as a reference number, ideally this should be unique to the donor. In practice, where envelopes containing the same unique identifier are used by the donor and his or her spouse and minor children, it can be assumed that all the donations are from the donor, unless there is evidence to the contrary.

3.40.3 When the envelope is opened and the contents are counted, an official of the charity should record the sum that it contained both:

- on the envelope, and
- in a donor record.

3.40.4 Charities should retain for the period set out in section 7.3 in Chapter 7:

- all envelopes on which a Gift Aid declaration is printed
- a sample of other envelopes (normally for one month of the year)
- the donor record.

3.41 Joint donations

3.41.1 If a charity receives a donation drawn on a joint bank account, and it has not been given a Gift Aid declaration by all of the account-holders, it will need to determine whether the donation is from a donor who has given a Gift Aid declaration. It can normally be assumed that the donation is from the account-holder who signs the cheque, debit card slip or direct debit mandate or standing order mandate. In the case of a donation received over the phone or through the Internet, it can normally be assumed that the donation is from the account-holder who authorises the transaction.

3.41.2 Similarly, if a credit card donation is received drawn on an account in respect of which there is more than one authorised signatory, it can normally be assumed that the donation is from the authorised signatory who signs the credit card slip. In the case of a donation received over the phone or through the Internet, it can normally be assumed that the donation is from the person who authorises the transaction.

3.41.3 If there is any doubt whether the donation is from the person who signs the cheque, etc. or authorises the transaction, the charity should ask them to confirm whether the donation is from them.