

## CHAPTER 6

### CLAIMS AND RETURNS

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### PART A: CLAIMS

#### 6.1 What charities can claim

- 6.1.1 A charity can claim UK basic rate tax on Gift Aid donations made by individuals on or after 6 April 2000, whatever the amount of the donation.
- 6.1.2 A charity cannot claim repayment of basic rate tax on Gift Aid donations made by companies and other corporate bodies on or after 1 April 2000.

***No donations from companies should be included when a charity claims back tax from IR (Charities) on an R68(2000) (the charity tax claim form).***

6.1.3 The basic rate tax which can be claimed on Gift Aid donations made by individuals in part or all of a tax year can be calculated by using the fraction:

$$\frac{\text{The basic rate for the year}}{100 - \text{basic rate}} \times \text{amount of Gift Aid donations}$$

So, for example, where the basic rate in force for a tax year is 22%, the fraction will be 22/78 (22/(100-22)). On a Gift Aid donation of £10, the tax reclaimable would be £2.82 (£10 X 22/78).

6.1.4 Charities can also claim back any income tax deducted from certain other types of income they receive, for example:

- Net bank/building society interest
- Net interest from Government stocks
- Income from wayleaves (e.g. sums paid by a utility company for the right to put cables across a piece of land)
- Royalties
- Other types of annual payment
- Estate income
- Discretionary trust income.

6.1.5 IR (Charities) can only repay UK tax. Foreign tax can only be repaid by the Revenue department of the country in question. IR (Charities) can supply you with claim forms for most major foreign Revenue departments. Charities in England, Wales, Northern Ireland **and** Scotland should telephone 0151 472 6035 or fax 0151 472 6268 or write to:

Inland Revenue( Charities),  
St John's House,  
Bootle,  
Merseyside, L69 9BB,

stating the country and type of form you require.

## 6.2 Tax Credit Transitional Relief

6.2.1 Prior to 6 April 1999 charities could claim back the tax credit attached to dividends and distributions they received from UK companies. Tax credits are no longer payable to charities on dividends paid to them by UK companies on or after 6 April 1999.

6.2.2 From 6 April 1999, however, charities can claim Tax Credit Transitional Relief (TCTR). Charities can claim this relief on dividends and distributions paid to them by UK companies until 5 April 2004. Further details on this relief can be found in Technical Annex V below.

6.2.3 TCTR **cannot** be claimed on the following types of income:

- Overseas investments
- Legacy income
- Gift Aid donations
- Interest distributions from an authorised unit trust or open-ended investment company (OEIC)
- Any payment received from an unauthorised unit trust
- Fixed interest payments
- Bank and building society interest
- Enhanced scrip dividends
- Capital distributions
- Bank of England stock (including Treasury, Exchequer and Loan Stock).

6.2.4 The rate of TCTR will depend on the tax year in which the company paid the distribution. The percentages for each tax year are as follows:

- 06/04/1999 to 05/04/2000 21%
- 06/04/2000 to 05/04/2001 17%
- 06/04/2001 to 05/04/2002 13%
- 06/04/2002 to 05/04/2003 8%
- 06/04/2003 to 05/04/2004 4%

See paragraph 6.5.3 below for the time limit for making claims for TCTR.

### **6.3 Authorised signatories**

- 6.3.1 From 6 April 2000, IR (Charities) will repay claims only if they are signed by an official of the charity who has been authorised to do so on a special form available from them. A copy of this form can also be found at Appendix A. There can only be **one** authorised signatory at a time for each charity.
- 6.3.2 The person authorising the signatory must be a trustee of the charity, or a member of the committee responsible for the running of the charity's affairs (the person authorised to sign the charity's cheques, for example).
- 6.3.3 If the charity wishes to change the person who is authorised to sign claims, a new authorisation form must be completed. To avoid delay a new form should be completed and sent to IR (Charities) before sending a claim.
- 6.3.4 The declaration at the bottom of page 2 of the form R68(2000) must be signed by the authorised official of the charity. This person confirms by signing that the claim is correct and that the charity's income has been applied to charitable purposes only and is exempt from tax.

### **6.4 How to claim**

- 6.4.1 Unless the charity receives a Self-Assessment Return, all claims must be made on form R68(2000) and accompanying schedules. Specimens of these forms can be found at Appendix B. The main claim form R68(2000) must be signed by the authorised official of the charity. Claims for years earlier than 2000/01 should be made on the previous version of the R68.
- 6.4.2 The following forms should be used when making a repayment claim:
- R68 (2000) - the main claim form, on which the summary amounts of tax and/or tax credit transitional relief are entered
  - R68 (F) - on which details are entered of income received under deduction of tax
  - R68(New Gift Aid) - on which details are entered of Gift Aid donations
  - R68(TCTR) - on which details are entered of dividends received from UK companies where tax credit transitional relief is claimed.

Different forms will be needed if a charity wishes to make a claim for tax years prior to 2000/01.

- 6.4.3 Before making a first claim for repayment, a charity will need to register its existence with IR (Charities). Details of what needs to be done can be found in Chapter 2.
- 6.4.4 If a charity asks for payment of claims to be made into a separate bank account because, for example, the charity is launching an appeal fund, a separate subsidiary reference number will be issued (see section 2.4 above). If a charity does want a separate subsidiary reference for this reason, documentary evidence relating to the appeal should be sent to IR (Charities).

### Example

*A hospital charity launches an appeal to save one wing of the hospital. It wishes to keep the fund separate from its normal fund. It already has the reference number XR 00000. It sends to IR (Charities) literature relating to the appeal and requests a separate subsidiary reference number. Following acceptance of the appeal fund as charitable, IR (Charities) allots the appeal fund the reference number XR00000/1. Any claims under that reference will be paid to the appeal fund account.*

- 6.4.5 The total of tax deducted from income of the type detailed in paragraph 6.1.4 above should be entered in box 1 of R68(2000). In addition, details of the income should be entered on Form R68F. A separate R68F should be completed where the income relates to more than one tax year. This schedule must be sent with R68(2000).
- 6.4.6 The total of tax being reclaimed on Gift Aid donations made on or after 6 April 2000 should be entered in box 2 of the summary claim form R68(2000). This amount will include payments made under deeds of covenant made on or before 5 April 2000 and still in force, which are paid on or after 6 April 2000. In addition, details of the donations should be entered on the schedule R68(New Gift Aid), which should be sent in with form R68(2000). **A separate R68(New Gift Aid) schedule must be completed for each tax year, and only donations made in that tax year entered on each schedule.**
- 6.4.7 The total of TCTR (on which, see Section 6.2 above) being claimed on distributions paid on or after 6 April 1999 (and before 6 April 2004) should be entered in Box 3. In addition, details of the distributions should be entered on R68(TCTR). A separate form R68(TCTR) should be completed for each year. This schedule must be sent with R68(2000).
- 6.4.8 The total from each of the completed boxes 1, 2 and 3 should be entered in Box 4.
- 6.4.9 The claim should be checked for arithmetic errors before being sent.
- 6.4.10 Please ensure that all the details required on the second side of Form R68(2000) are also completed. The repayment will be sent to the authorised official who signs the declaration (see Section 6.3 above regarding the necessity of supplying details of the authorised official of the charity) at the pre-printed address already shown on page 1 of R68(2000) unless Part 3 (*Repayment Details*) is completed. The authorised official of the charity may nominate another person to receive the repayment by entering their name

and address on page 2 of the form. The NOMINEE box should only be ticked if the repayment is to be paid into the nominee's bank account.

- 6.4.11 Please ensure you make a copy of the claim and schedules if you need to **before** sending in the claim.
- 6.4.12 Only correspondence directly relating to the claim should be sent with the form. Other correspondence should be sent in a separate envelope.
- 6.4.13 Repayments will be made directly to a Bank or Building Society by the Bank Automated Clearing System (BACS). This facility means that the repayment is received more quickly and securely and a payable order does not have to be taken to the Bank or Building Society. Fill in section 3 of part 3 of R68 (2000) with your Bank or Building Society account details. You may need to check with the Bank/Building Society that they can accept BACS payments before opting for this payment method. If you do not complete the BACS details, a payable order will be sent to you.
- 6.4.14 Where IR (Charities) is satisfied with the claim they will repay the sum claimed to the charity or nominee. If they believe there is a simple error in the sum claimed they will correct claim and repay. They will write to the charity explaining the reasons why the claim has been corrected.
- 6.4.15 IR (Charities) aims to repay 80% of fully documented second and subsequent claims within 10 working days of receipt. A first claim to repayment will take longer to process.

## **6.5 Time limit for making claims**

- 6.5.1 A charity which is a trust for tax purposes must make any claim within five years of 31 January in the year following the end of the tax year to which the claim relates.
- 6.5.2 A charity which is a company for tax purposes must make any claim within six years from the end of the accounting period to which the claim relates.
- 6.5.3 There are different time limits for claims to Tax Credit Transitional Relief (TCTR). For charities which are trusts for tax purposes the time limit is two years from the end of the tax year in which the distribution was made. For charities which are companies for tax purposes the time limit is two years from the end of the accounting period in which the distribution was made.

## **6.6 Claims: other points to note**

- 6.6.1 Claims can be made in respect of donations received in any period in any tax year, or for the whole of one or more tax years. Where a claim covers more than one tax year, separate R68(New Gift Aid) schedules need to be completed and sent for each tax year.
- 6.6.2 For Gift Aid donations covered by telephone declarations, a claim can only be made after the written copy has been sent to the donor.
- 6.6.3 Claims can be submitted as frequently as a charity wants. Claims may not be repaid, however, where the amounts being reclaimed are small (under £100) and the charity makes more than one claim in each tax year.

- 6.6.4 Charities may use substitute claim forms if they wish. These must first be approved by IR (Charities)
- 6.6.5 Repayment interest on a claim is due as follows:
- for a **Trust** - from 31 January next following the year of assessment to which the income relates
  - for a **Company** - from 9 months after the end of the accounting period to which the income relates.
- If repayment interest is due, IR (Charities) will calculate the amount after processing the claim, and send a second cheque or BACS payment.
- 6.6.6 Please tell IR (Charities) as soon as possible if the name of the charity changes or if there is a new signatory. Do not wait until the next claim as this may cause delay in the processing of the claim.
- 6.6.7 Charities that organise sponsored events are able to include the pledged donations in Gift Aid if the donors (not the participators) complete Gift Aid declarations. These declarations can be incorporated into the sponsor forms.
- 6.6.8 Where the number of donors is relatively small, charities should include the donor details on the schedule R68(New Gift Aid).
- 6.6.9 For larger events, where it is expected that Gift Aid claims will be made in respect of very large numbers of donors, this approach may not be practical. If this is the case, IR (Charities) will accept claims on a special, modified, basis.
- 6.6.10 Charities that want to use the modified claim basis should advise IR (Charities) of their intention to use the modified basis in advance of the event. They should tell IR (Charities):
- the name of the charity
  - the date of the event
  - the estimated number of participators
  - the estimated amount of sponsorship money expected to be raised
- 6.6.11 A separate Gift Aid claim should be submitted as soon as possible after the event. This should only include income from the event.
- 6.6.12 The claim for the event should be accompanied by a covering note
- explaining that it relates to the event
  - stating the total amount of sponsorship money raised
  - stating the proportion of that total on which Gift Aid claims are being made
- 6.6.13 Individual donor details do not need to be included in the R68 (New Gift Aid). Instead, the R68 (New Gift Aid) should refer to the amounts on individual participators' sponsor sheets where Gift Aid declarations have been made. Each entry on the R68 (New Gift Aid) should identify the sponsor sheet in question, either by use of the participator's name or by use of an individual reference. The entry in the "Total donation(s) received" column should be the

total of amounts on the sponsor sheet in respect of which Gift Aid declarations have been obtained.

- 6.6.14 Charities using the modified claims basis must retain the original sponsor sheets and be able to produce them on demand in the event of IR (Charities) wanting to audit their Gift Aid claim. This is because the sponsor forms contain the donors' declarations and form part of the audit trail connecting the payments and declarations to the charities' claims.

## **PART B: RETURNS**

### **6.7 Self Assessment**

- 6.7.1 Charities constituted as trusts come, like any other type of trust, within the income tax Self-Assessment regime (ITSA) from 1996/97.
- 6.7.2 All other types of charities (companies limited by guarantee, created by Royal Charter or Act of Parliament, industrial & provident societies and unincorporated associations, for example) come within the corporation tax Self Assessment (CTSA) regime for accounting periods ending after 1 July 1999.

### **6.8 Accounts and Returns**

- 6.8.1 Charities should not send a copy of their accounts to IR (Charities) unless requested to do so in a notice to file a return.
- 6.8.2 If a charity believes that it has a tax liability (because some or all of its income and/or gains are not exempt from tax), it should write to IR (Charities) requesting that a Self-Assessment return be issued. It should also give details of the relevant tax year or accounting period.
- 6.8.3 The great majority of charities will not be required to complete a Self-Assessment return on a regular basis. Formal returns and notices to file will be issued to a sample of charities each year, selected through a risk assessment system or on a random basis. The type of return required will be specified in the notice issued to the charities concerned. This will depend on whether the charity is a trust or a company for tax purposes.
- 6.8.4 Those charities receiving returns will be required to self assess. A copy of the charity's accounts will need to be submitted in support of the return made.
- 6.8.5 Both the trust and company Self Assessment returns have special charity pages which must be completed, whether or not the charity has income or gains which are taxable. The separate charity pages to forms SA900 (Trust Self Assessment Return) and CT600 (Company Self Assessment Return) are available from the form telephone request lines detailed in the guidance accompanying the return. Specimens of these charity pages can be found in Appendix D and E respectively.
- 6.8.6 The additional charity pages to the return are to be used to return income and gains of the charity on which it claims exemption from tax. These pages must be completed for the charity to obtain the exemptions available to it for the period covered by the return.

- 6.8.7 The charity pages also request information to show that the expenditure of the charity has been wholly charitable (see Technical Annex II for details) and that any investments or loans made are qualifying under the Taxes Acts (see Technical Annex III for details).
- 6.8.8 Where a charity claims exemption in the additional charity pages on all its income and gains covered by the period in the return, it need only record 'nil' in the relevant boxes in the main part of the trust or company return (SA900 or CT600), and sign and date it. Where a charity has incurred a tax liability on all or part of its income and gains, it will be necessary to complete the relevant boxes in the main part of the return.

## **6.9 Payment and filing dates**

- 6.9.1 Where a charity which is a trust has incurred a tax liability in a year of assessment it must make two payments on account, one on 31 January in the tax year in question, followed by the second on 31 July in the following tax year. Any balance is due on 31 January in the tax year following the year in question. Where the charity is a company for tax purposes it must pay any tax due by nine months after the end of the relevant accounting period.
- 6.9.2 Failure to pay any tax due by the payment date will result in an interest charge.
- 6.9.3 The Trust Self-Assessment Return (SA 900), accompanying charity pages and accounts must usually be filed with IR (Charities) by 31 January in the tax year following the year of assessment to which the return relates. The Company Self-Assessment Return (CT 600), charity pages and accounts must be filed with IR (Charities) by twelve months after the accounting period to which the return relates. The filing date is extended where the return is issued late.
- 6.9.4 Failure to file the return (including the charity pages and accounts) by the filing date will result in a penalty.

## **6.10 Getting further help**

- 6.10.1 There are notes to help completion of the returns, including the charity pages.
- 6.10.2 A charity receiving a request for a return should consider contacting its professional advisers for help in completing the return, particularly if figures need to be extracted from the accounts or a liability to tax assessed.
- 6.10.3 If there are specific problems in completing the charity pages, help can be sought from IR (Charities).

Charities in England, Wales or Northern Ireland should telephone 0151 472 6079 if they receive a trust return (SA 900) or 0151 472 6054 if they receive a company return (CT 600), or write to the Charity Compliance Unit at

Inland Revenue (Charities)  
Inland Revenue  
St John's House



Bootle  
Merseyside  
L69 9BB.

Charities in Scotland should telephone 0131 777 4040 or fax 0131 777 4045 or write to

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