

The Charity Guide to Gift Aid

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Gift Aid is a tax relief provided by the government that adds 25% to the value of donations to charities. It allows charities access to extra revenue without costing the donor money.

HMRC's most recent stats show £1.06 billion was claimed in Gift Aid in the financial year 2013/2014. A more difficult figure to pin down is the potential amount that could be claimed if all eligible donations included Gift Aid, although there have been several attempts.

In 2009, the Charities Aid Foundation estimated that the sector could be losing as much as £750 million per year in unclaimed Gift Aid. More recently, the National Audit Office released a report claiming that £2.3 billion in donations were made in 2012 on which Gift Aid was not claimed, thus setting a maximum figure of £575 million in unclaimed Gift Aid that year. The latter report does stress that not all of these £2.3 billion of donations would have been Gift Aid eligible.

Which donations are eligible?

Gift Aid can be claimed on donations when the donor has paid at least as much Income Tax or Capital Gains Tax as the amount they want to claim in Gift Aid in that financial year.

For the charity to receive the Gift Aid, the donor has to make a Gift Aid declaration giving permission for the charity to claim it (apart from some instances when the donation made is £20 or less). The Gift Aid declaration has to include the following:

- The name of your charity or community amateur sports club (CASC);
- The donation amount;
- The donor's name (at least their initial and last name);
- The donor's home address (at least their house number or name and postcode);
- The date.

Charities can now send these details to HMRC online using a spreadsheet or database to claim the money, which has been set up to make the process easier to complete. Donors who make a Gift Aid declaration can also declare all future donations to that charity to be Gift Aid eligible if they so choose.

Unfortunately, not all eligible donors tick the box to allow Gift Aid to be claimed. Since the government announced their intention to increase the level of uptake of Gift Aid through the 2014 Budget, they have offered the following suggestions to encourage more claims.

How to increase Gift Aid claims

HMRC recently published a study into the reasons why Gift Aid isn't always claimed, and found the main problem to be a lack of understanding on the part of the donors. They found that decisions about whether or not to claim Gift Aid were based on three factors:

- Self-determination of eligibility;
- Understanding of the purpose of the scheme;
- Any practical barriers related to the claiming process.

HMRC reported that donors who understood Gift Aid were far more likely to claim it on their donations. In order to help donors understand these areas, the report stressed that charities should 'prime' donors by letting them know about Gift Aid early on in the donation process.

They also suggested using a multiple tick box format as part of the Gift Aid declaration to demonstrate that eligibility criteria exist while avoiding legal language or messages that could deter donors from claiming.

As well, the report suggested that the key messages to communicate are:

- The benefit to the charity at no cost to the donor;
- The fact that eligibility is related to individual tax paid, rather than taxpaying or working status;
- That the donor's address is required to identify them as a taxpayer;
- The fact that donors must have paid enough tax to cover all Gift Aid donations;
- That the declaration refers to the current tax year.

Many online fundraising services now offer this setup, and yet still not all Gift Aid is claimed. Thankfully, that doesn't mean that the charity has missed all opportunity to claim the Gift Aid from HMRC. In fact, they can reclaim Gift Aid within four years of the financial year that the donation is received in.

How to maximise the Gift Aid you reclaim

If donors don't claim Gift Aid but are eligible to and have provided contact details, charities can ask them to fill in a Gift Aid declaration at a later date. From our own experience in reclaiming Gift Aid for charities, we have found that 94% eligible donors are happy to make a Gift Aid declaration when contacted.

The challenge is that contacting all donors and encouraging them to make Gift Aid declarations at a later date can stretch resources. For this reason, charities often focus their attention on larger donations, but miss out on smaller ones. Recent stats by the National Audit Office show that while Gift Aid is claimed on 80% of donations over £100, it is only claimed on 19% of donations under £10.

The upside of this is that there is scope for increased income for the sector from Gift Aid. The same source explains that as donations under £100 account for 94% of all donations made, a 10% rise in the

take-up of Gift Aid would provide an extra £94 million to the charity sector.

To effectively reclaim Gift Aid, the following steps should be taken:

- Use your CRM system to segment donors who have never claimed Gift Aid. Then cleanse this data and analyse which of these donors are likely to be Gift Aid eligible;
- Contact everyone you think can and will allow your charity to make a retrospective claim by the most efficient route. Ideally this should be multi-pronged, starting with low-cost, high-volume activities like email and SMS, and going to activities like calling each donor thereafter;
- Regularly submit the necessary data for a Gift Aid declaration to the HMRC once you've obtained it. A record of declarations must be kept for six years from the most recent donation you claimed Gift Aid on. Example Gift Aid declaration forms can be found [here](#);
- Higher-rate taxpayers can make additional personal claims for tax relief via their self-assessment form.

A final word

For charities with already-stretched fundraising departments, reclaiming on smaller donations can be a real struggle. Technology Trust is currently offering a cash-neutral, low-cost alternative in *tt-giftaid*. With this, you pay nothing upfront, and only pay a fee for successful Gift Aid claims after receiving the money.

If you have more than 10,000 active donors and would like more information on *tt-giftaid*, please email us at office@technology-trust.org and we will get back to you shortly.

References

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