

28<sup>th</sup> April 2015

To:

Ms Priti Patel, Exchequer Secretary to the Treasury

Ms Shabana Mahmood, Shadow Exchequer Secretary to the Treasury

Mr Ian Swales, Liberal Democrat Spokesperson for the Treasury

Mr Patrick O'Flynn, United Kingdom Independence Party Economy Spokesperson

Ms Molly Scott Cato MEP, Green Party Finance Spokesperson

We are writing to you as Charity Finance Group and Institute of Fundraising have been part of the government's Gift Aid Working Group and we want to outline our views on the future of Gift Aid and role that the next government can play in supporting it.

Gift Aid is the most important philanthropic tax relief for the charity sector. Charities received £1.06bn in gift aid repayments in 2013-14, around 2.7% of the sector's total income. This comes at a time when charities are facing significant pressure on their finances.

Over the past year, research on the sector has identified a number of challenges facing charities.

- Charity Finance Group, Institute of Fundraising and PwC's *Managing in the New Normal* survey found that 70% of charities had experienced an increase in demand in the last 12 months, with 70% expecting an increase in demand in the next 12 months.
- Charities Aid Foundation and ACEVO's *Social Landscape: The state of charities and social enterprises in 2015* reported that 15% of respondents said that their organisation was 'struggling to survive', rising to 21% (more than one in five) for smaller charities.
- NCVO's *Civil Society Almanac* found that the sector's overall income fell by 1.7%, driven by 8.8% fall in income from government sources.

Given the likelihood of continuous spending constraint within the public sector over the next Parliament, charities need to generate more income directly from the public. In the latest

*Managing in a New Normal* survey charities identified promoting and encouraging charitable giving as the number one priority for the next government.

One of the most effective ways that government can do this is through improving tax effective giving and central to this is Gift Aid.

The National Audit Office believes that around **£2.3bn** of donations are not claimed for Gift Aid. Although not all these donations will be eligible, there is potentially hundreds of millions of pounds of Gift Aid going unclaimed. This is money that should be furthering the work of charities, helping them to meet growing demand and deliver public benefit.

It was for this reason that we welcomed the creation of the Gift Aid Working Group, with a clear mission – to increase the uptake of eligible Gift Aid claims.

We are grateful to officials and Ministers in the last government for their support in improving the Gift Aid system. We are fully engaged in discussions to make the process of claiming simpler for donors to understand. We believe that steps to improve the uptake of eligible Gift Aid claims will also help to reduce lost income through erroneous claims.

It is important that the next government sticks to this mission and commits to working with the charity sector to increase the amount of Gift Aid being claimed. There are a number of ways that this can be achieved:

- Working with charities to improve public awareness and understanding of Gift Aid and its value to the charity sector
- Identifying key points for the public in encountering Gift Aid and creating an environment that supports donors in claiming
- Supporting the training of charities, particularly smaller charities, to use Gift Aid and create materials to educate staff, volunteers and supporters
- Using government-backed campaigns such as #GivingTuesday to promote Gift Aid and reach out to a new generation of donors
- Commission more research into Gift Aid and drivers for claiming

Since its reform in 2000, Gift Aid has grown substantially but in recent years that growth has slowed. Between 2005-2006 and 2009-10, the amount of Gift Aid received by charities grew by 16.6% (excluding transitional rate relief). Between 2010-11 and 2013-14, the growth rate more than halved to 7.7%. Over the past few years Gift Aid has



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hardly grown at all. Whilst a slowdown was inevitable, it is even more important that as Gift Aid matures, we redouble our efforts to improve take-up.

We recognise that there are a number of pressures on public finances and that there may be a temptation to focus on reducing the 'tax gap' rather than increasing eligible donations. However we believe that the next government must consider this in a holistic way.

If we want charities to continue to work deliver public benefit, then charities need the resources to do this. All things considered, giving is the most likely source of additional income in the short to medium term. Gift Aid ensures that the value of donations is maximised. It is therefore critical that the next government works to improve take up of Gift Aid, if it wants charities to grow and thrive.

We would, therefore, like the next Economic Secretary to the Treasury to commit to three things:

- 1) Continue the Gift Aid Working Group and meet with charity members of the Group in order to discuss steps to improve take up
- 2) Make clear the priority of the Gift Aid Working Group to increase the amount of Gift Aid that is claimed
- 3) Ensure that no steps will be taken that would reduce the amount of eligible Gift Aid claims and that any proposed changes are evidence-based, following recommendations by the National Audit Office.

We stand ready to work with government to make our Gift Aid system as effective as possible.

We look forward to your response.

Kind regards,

Caron Bradshaw  
Chief Executive, Charity Finance Group

Peter Lewis  
Chief Executive, Institute of Fundraising