



Essential Gift Aid

A guide for small charities

November 2016

What is Gift Aid?

Gift Aid is a tax relief for **individuals** that enables them to give the income tax or capital gains tax that they pay directly to a charity on top of their donation.

In effect it **adds 25p for every £1 donated to a charity.**

This is an incredibly valuable tax relief, and claiming is straight forward. **Every small charity that regularly receives donations from individuals should register for Gift Aid so that they maximise the value of donations to their charity.**



Top tip!

Make sure that all your staff and volunteers know what Gift Aid is and how it works, so that they can answer queries. Research tells us that people are more likely to claim if they understand how the system works.

How does Gift Aid work?

Individuals need to give their consent for the charity to receive their tax on top of their donation. They do this through making a **Gift Aid Declaration.**

A valid Gift Aid Declaration must include:

- name of your charity
- The individual's name
- The individual's home address including house number/name and postcode

It must also be clear that the individual has chosen to Gift Aid. This could be through filling out their name and address, ticking a box or signing the Declaration. Otherwise, you have no way of proving that the individual wanted your charity to claim Gift Aid.

This is a statement which the individual (usually a form) fills in to say that they give permission for the charity to claim the tax. As only income tax and capital gains tax can be claimed, individuals must be confident that they are paying enough tax to cover the amount that they wish to donate to the charity. This tax must be paid in the same tax year that the donation is made (tax year runs from 1st April till the 31st March).

You claim Gift Aid on donations made up to four years ago (providing that they paid enough tax in that year) and you can get people to sign a declaration that enables you to Gift Aid all future donations, so that you don't need to ask them again if they regularly give to you.

Example 1

Ms Jones is making a £100 donation to the Really Good Small Charity, and wants to 'Gift Aid' her donation, so that the charity gets more money. For the Really Good Small Charity to be able to get Gift Aid, she would need to have paid at least £25 of tax in this tax year. Ms Jones is employed full-time and pays far more than £25 in tax every year, so she can sign the Gift Aid Declaration with confidence.

Example 2

Mr Smith is also making a £100 donation to the Really Good Small Charity, and wants to 'Gift Aid' his donation, so that the charity gets more money. For the Really Good Small Charity to be able to get Gift Aid, he would also need to have paid at least £25 of tax in this tax year.

However, Mr Smith is retired and his pension is too small to pay tax on and hasn't paid any capital gains tax this year. So he hasn't paid £25 in tax this year. As a consequence, he can't sign the Gift Aid Declaration and the charity cannot claim Gift Aid.

For individuals that pay the higher rate of tax (currently on incomes over £43,001) – the system is a bit more complicated. The charity can claim Gift Aid on the basic rate income tax and capital gains tax that they pay, but not on the higher rate income tax. Individuals have to claim this separately.



Top tip!

Always try to explain to donors that they need to have paid enough income tax or capital gains tax in the tax year that they making their donation. It will save your charity wasting resources on bad claims!



Top tip!

If you think that your donor is a higher rate taxpayer – or they tell you they are – make sure you remind them to claim higher rate tax relief on their Gift Aid. They'll appreciate it when they get their next tax bill!



Top tip!

If you are asking someone to sign a Gift Aid Declaration that covers all their future donations, make sure that you check with them every couple of years that they are still paying enough tax to cover their donations.

What types of donations can you claim on?

There are some rules about the types of donations can have Gift Aid claimed on them.

1. **The donation must be from the donor's own money.** For example, a husband cannot claim Gift Aid on a donation made by their wife.
2. **The donation must be money. Gifts in kind don't count.** Cash, cheques, direct debit, credit card, debit card, postal order or standing order all count – as do electronic transfers. Old chairs, books or gifts of time don't count!
3. **Payments for a service or goods don't count.** For example, paying for items in a jumble sale doesn't count.



Top tip!

If someone is giving you money and you want to give them a 'thank you' like a branded pen or pencil, you can still do that and claim Gift Aid.

[Check the HMRC website for more details.](#)

How do I register for Gift Aid?

To register for Gift Aid you must be:

1. Based in the UK, EU, Iceland, Liechtenstein or Norway
2. Established for charitable purposes only (i.e. you aim to deliver benefits for the public, rather than private individuals). See [this list](#) for more information.
3. Registered with the Charity Commission.
4. You must not be run by people who have been individual in fraud, abused the tax system, used tax avoidance schemes using charity reliefs, been involved in designing or promoting a tax avoidance scheme or been barred from being charity trustees or disqualified from acting as a company director.

If you meet these criteria, you can register online with [HMRC's online service](#).

You'll need to have with you:

- The charity's bank account details and financial accounts
- The details of 2 people (trustees, volunteers or staff) that are going to claim Gift Aid on behalf of your charity. This includes their addresses, dates of birth and National Insurance numbers.
- Your charity's registration number with the Charity Commission.
- Your charity's governing document and objectives (also known as charitable purposes).



Top tip!

When thinking about the people who are going to claim Gift Aid for you, make sure that it is someone who can be reached easily and has a good access and understanding to your charity's financial details. This will make it easier for them to deal with HMRC should that be necessary.

What else do I need to know?

- You need to keep your details up to date – both of your charity and the people that are claiming Gift Aid.
- You need to keep hold of the Gift Aid Declaration and details of donations that are claimed by the charity for 6 years after the most recent donation you claimed Gift Aid on – so keep those records safe and somewhere you can easily access them!
- If you are in doubt about anything to do with Gift Aid, contact the HMRC Charities Outreach Team on 0300 123 1073.

If you have problems registering with HMRC or claiming Gift Aid, you can also contact Charity Finance Group (policy@cfg.org.uk) and they will try to assist you.

Standard Gift Aid Declaration Template

Boost your donation by 25p of Gift Aid for every £1 you donate!

Gift Aid is reclaimed by the charity from the tax you pay for the current tax year. Your address is needed to identify you as a current UK taxpayer. In order to Gift Aid your donation you must tick the box below:

I want to Gift Aid my donation of £_____ and any donations I make in the future or have made in the past 4 years to [Insert Name of Charity]

I am a UK taxpayer and understand that if I pay less Income Tax and/or Capital Gains Tax than the amount of Gift Aid claimed on all my donations in that tax year it is my responsibility to pay any difference.

My Details

Title _____

First name or initial(s) _____

Surname _____

Full Home address

Postcode _____ Date _____

Please notify our charity if you:

- want to cancel this declaration
- change your name or home address
- no longer pay sufficient tax on your income and/or capital gains

If you pay Income Tax at the higher or additional rate and want to receive the additional tax relief due to you, you must include all your Gift Aid donations on your Self-Assessment tax return or ask HM Revenue and Customs to adjust your tax code.



Top tip!

Research indicates that if you tell the donor how you will use the Gift Aid received by the charity (e.g. delivering services or paying for a building etc.) they are more likely to claim. Try to personalise the introduction, so that you boost the claims you receive.

This template is based on the HMRC Gift Aid Declaration Template for all donations, and means that you can claim for all future donations and donations made in the last year. For templates that cover one donation, please visit the [HMRC website](#).