



**DIOCESE OF TRURO**  
Diocesan House Kenwyn Truro Cornwall TR1 1JQ

# **Vision**

# **Mission**

# **Money?**

## **GIFT AID**

**Giving to the Church...  
Arrangements for Tax Efficient giving**

These Gift Aid notes are based on the published guidance from the HM Revenue and Customs Charities and the Christian Stewardship Committee of the Archbishops Council of the Church of England.

## **Background**

### **When the new Gift Aid rules were introduced in April 2000 they had the effect of:-**

- ◆ abolishing the £250 minimum for Gift Aid donations, so that the scheme will apply to any donations, whether large or small, regular or one-off
- withdrawing the separate tax relief for payments made under a Deed of Covenant and give all relief for such payments in future under the Gift Aid scheme
- replacing 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
- allowing donors to give a Gift Aid declaration over the phone or over the Internet if they wish, without having to complete and sign a paper declaration
- removing the requirement that donors must pay income tax at the basic rate equal to the tax deducted from their donations - in future donors will simply have to pay an amount of income tax or capital gains tax, whether at the basic rate or some other rate, equal to the tax deducted from their donations.
- allowing donors to claim higher rate tax relief for their donations against either income tax or capital gains tax
- removing the requirement for companies, including companies owned by a charity, to deduct tax from their donations and give a Gift Aid declaration to the charity
- allowing Crown servants and members of the armed services working overseas to use the Gift Aid scheme

## **Donations by individuals**

Individuals must have paid sufficient tax and give you a Gift Aid declaration. The guidance below regarding tax reclaims and Gift Aid declarations applies only to donations by individuals.

### **Abolition of the £250 minimum limit**

From April 2000 the £250 minimum limit for Gift Aid donations was abolished. You can now reclaim tax on

- ◆ any donations of money
- ◆ large or small
- ◆ regular or one-off

provided the other conditions for the tax relief are satisfied. In particular, you will still have to be able to show an audit trail from the donation to a donor who has given you a Gift Aid declaration which covers that donation.

## Gift Aid declarations

To make a Gift Aid donation donors will be able to give you 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 you can reclaim tax - 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).

You may want to design your own Gift Aid declaration. You should ensure that it satisfies all the requirements set out below. There is no need to get HM Revenue and Customs Charities (HMRC Charities) approval for your own-design declaration, but they will be happy to approve it if you wish. Or you may wish to use the declarations provided in this pack.

### What a Gift Aid declaration must contain

Gift Aid declarations must contain:

- ◆ The donors name.....Full Name
- ◆ The donors address.....Full Address **including postcode.**
- ◆ The charity's name or acronym ( PCC of.....)
- ◆ A description of the donations to which the declaration relates
- ◆ A declaration that the donations are to be treated as Gift Aid donations
- ◆ A note explaining the requirement that the donors must pay an amount of income tax/capital gains tax equal to the tax deducted from his/her donations
- ◆ The date of declaration

### **A signature is not required by HMRC Charities, however the Diocese recommends that a signature is requested with the Declaration**

- ◆ The donors signature

You can pre-print the information on the declaration form if you wish. For example, you may wish to pre-print the charity's name. However if no part of the declaration is completed by the donor you will find it difficult to prove to HMRC that the declaration is genuine.

### **The donor's name and address**

In order to ensure that you can establish an audit trail to the donor from a donation, you should get as full details of the name and address as possible - including postcode.

In the event that HMRC Charities audits your tax reclaim and the information you hold is insufficient to enable the auditor to trace the donor, you may have to get further information to show that your tax reclaim is correct.

If a donor subsequently changes their name or address, this will not invalidate the declaration. If you are notified of a change in the donor's name or address, you must keep a record of the updated information.

## Description of the donations to which a declaration relates

You can use any description you like. It might say something like **one** of the following:

- ◆ 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 in the last six years and all donations I make hereafter

It is important that you get the description right – the declaration will not cover any donations you receive that fall outside the description used.

Depending on the description used, a declaration may apply to future donations, indefinitely. There will be no requirement for such declarations to be renewed periodically.

However as a matter of good practice you might wish to remind your donors periodically that they have opted to treat their donations as Gift Aid donations, in case their circumstances have changed and they no longer pay income tax or capital gains tax equal to the tax deducted from their donations. Otherwise, your donors may incur an additional liability to tax.

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.

## Declaration that donations are to be treated as Gift Aid donations.

Again, you can choose your own wording. You might say something like:

- ◆ 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 , or
- ◆ Tick here if you want us to reclaim tax on your donations

## Note explaining the tax requirement

Again, you can choose your own wording. You might say something like:

- ◆ You must pay an amount of income tax/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/capital gains tax equal to the tax we reclaim on your donations

## Oral declarations

It is acceptable to for a donor to make an oral declaration that they wish their donation to be treated as a Gift Aid donation. If you receive an oral declaration, and you do not keep an audible (and auditable) recording of the donors oral declaration you must send the donor a written record of the declaration to include:

- ◆ the donors full name, address and full postcode
- ◆ the name of the church

- ◆ a description of the donations to which the declaration relates
- ◆ a statement that the donor wants his/her donations to be Gift Aid donations.
- ◆ an explanation 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
- ◆ an explanation of the donor's entitlement to cancel the declaration retrospectively within 30 days (see below)
- ◆ the date on which the donor gave the charity the oral declaration, and
- ◆ the date on which the charity sent the written record to the donor.

An oral declaration will not be effective unless and until the written record of the declaration has been sent to the donor.

You cannot reclaim tax in respect of a donation covered by an oral declaration until you have sent the written record. Once the written record has been sent, you may 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 HM Revenue & Customs.

### **Cancellation of declarations**

Donors are entitled to notify you of the cancellation of their declaration at any time. If they cancel within 30 days of making the declaration, it will be treated as if it was never made.

You do not have to wait for the 30 day period to expire before reclaiming tax in respect of donations you have received - but if you reclaim tax and the donor subsequently cancels his or her declaration within the 30 day period, you must pay the tax back to the HMRC Charities.

It may be possible for you to pay the tax back to HMRC Charities by deducting it from your next tax reclaim. You should contact HMRC Charities if you wish to do this.

A cancellation will normally have 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.

You must not reclaim tax in respect of such donations. Any donations received before the date of the donor's notification will still qualify as Gift Aid donations. However, if you receive notification part way through a year that a donor has ceased to be a taxpayer you may decide not to claim repayment with respect to donations not yet claimed for that were received earlier that year.

### **Higher rate taxpayers**

Although the Church or any charity can only reclaim Gift Aid at the basic rate of tax, a higher rate taxpayer is entitled to reclaim personally the difference between the basic and higher rate of tax on the donation. They also have the option to donate the amount they have reclaimed to the church through their SA100 Self Assessment Tax Return, using the "SA Donate" box. All the tax-payer has to do is tick the relevant boxes and enter your PCC's "SA Charity Refund code" (see below). If a tax-payer receives a SA200 Short Tax Return from HMRC they should complete Q8 and write a covering letter to their tax office asking for all or part of any repayment to be made directly to the church, quoting its "SA Charity Refund" code.

The "SA Charity Refund" code is generally a seven letter/digit reference in the format ABC89AG. So you need to promote this code to all church members who are likely to pay higher rate tax.

Codes are available on line at  
[www.hmrc.gov.uk/charities/charities-search.htm](http://www.hmrc.gov.uk/charities/charities-search.htm)

More information about SA donate for tax-payers can be found at  
[www.hmrc.gov.uk/charities/sa-donate-faq.htm](http://www.hmrc.gov.uk/charities/sa-donate-faq.htm)

If a higher rate tax-payer donates their repayment to the church HMRC treat the donation of this refund through the tax return as a Gift Aided gift, and add an amount for basic rate tax paid on the gift automatically .

### **Record-keeping**

The Christian Stewardship Committee of the Archbishops' Council of the Church of England produce some very helpful guidance notes on record keeping for envelope schemes, standing orders and other payment methods on their website

[www.parishresources.org.uk/giftaid.htm](http://www.parishresources.org.uk/giftaid.htm)

It is essential that the Church keeps sufficient records to show that the tax reclaims are accurate. These records should enable the church to show:

- ◆ an audit trail linking each donation to an identifiable donor who has signed a valid Gift Aid declaration  
and
- ◆ that all the other conditions for the tax relief are satisfied.

If adequate records are not kept there may be a requirement to pay back to HMRC Charities any incorrectly reclaimed tax with interest. There may also be a liability to a penalty.

- ◆ You should therefore keep records which will satisfy the HMRC Charities. In the event that they audit a tax reclaim the auditor will usually ask to see the following in respect of a donation:
  - ◆ any written Gift Aid Declaration
  - ◆ any correspondence to or from the donor which relates to his or her Gift Aid donations, including:
    - any notification of a change of name or change of address
    - any notification of the cancellation of the Gift Aid Declaration
    - any written record of an oral declaration
    - any recording of an oral declaration
  - ◆ the bank statements
  - ◆ the paying-in book stubs showing details of all cheques and cash banked
  - ◆ the cash book recording the receipt of cash donations
  - ◆ a sample of the envelopes and a record of the sums enclosed
  - ◆ any other records that are kept relating to the donation

Some of these records will be held by the Treasurer, rather than the Gift Aid Secretary.

Records do not have to be kept on paper. They may be held on the hard drive of a computer, floppy disc or CD ROM, or stored on microfiche. Signed declarations should be kept in a form that preserves the signature – for example, by microfilming or electronically scanning them.

The Church is treated as a charitable company for the retention of records. Records must be kept until six years after the end of the accounting period to which any tax reclaim relates. This is a minimum period. In the event that HMRC Charities audits your tax reclaim and the auditor identifies errors, he or she may re-open the tax reclaims for earlier years. Therefore, it is in the church's interests to keep records longer than the minimum period. Gift Aid Declarations are usually not time defined, and will need to be kept indefinitely.

If you keep your records on computer, it is advisable to make regular back-ups and store these in a different location to the computer.

## **Making a Claim**

You should not make a claim for any donation unless and until a Gift Aid Declaration is in place, and your church has registered with HMRC Charities. You will also need to obtain two forms from HMRC Charities at Bootle or online at [www.hmrc.gov.uk/charities/forms.htm](http://www.hmrc.gov.uk/charities/forms.htm)

These forms are:

- ◆ R68 claim – the main claim form
- ◆ R68 Gift Aid– on which details are entered of Gift Aid donations.

Firstly, you should complete the R68 Gift Aid form, one for each claim period. **You can make more than one claim a year**, and it helps cash flow to do so, but all of the claims must fall within the accounting year. So for example you could claim monthly or quarterly, with the final claim for an accounting year being up to and including 31<sup>st</sup> December (your accounting year end). There are some instructions on the form itself. Ensure you fill in your parish's HMRC Charities reference number. There should be an entry on the form for each Declaration for which you are making a claim. Put the donors in alphabetical order. Enter the total donations for each donor and the date on which you received the last donation from the donor. For regular envelope givers, this will often be the last Sunday in the period. However, not everyone will have attended and given on that Sunday! For Standing Order givers, this date will not be a Sunday.

Because some people give by more than one method, and to more than just the General fund, you may need to summarise the claim for each donor in your records, before you enter the amounts on the HMRC Charities form.

With effect from 12 March 2008, an adjustment has been made to the Gift Aid claim process to allow smaller donations of no more than £10 to be aggregated up to a total of £500, within claims. This will mean that charities that have collected donations of money for which they have also received a Gift Aid Declaration have the option of making a claim on form R68 without having to list all the individual donor names on the form. For churches this usually refers to one off Gift Aid envelopes.

The underlying Gift Aid Declarations must be kept for the individual donations that make up the aggregated amount. This procedure does not apply to collections where the donor cannot be identified or where there is no Gift Aid Declaration, such as cash on a plate or a street collection. This does not alter existing arrangements for recovering Gift Aid on sponsorship events.

Once all the donors are listed on the back of the form at A, enter the total donations received. You can then calculate the tax to be claimed, using the calculation given on the form. This will be

$$\text{Total Donations} \times \frac{\text{current basic rate of tax}}{100 - \text{current basic rate of tax}} \quad \text{i.e.} \quad \frac{20}{80} \quad \text{after 6 April 2008 when basic rate tax is 20\%}$$

You should check your arithmetic before you send off the claim forms.

**The tax rate that can be reclaimed is dependent on when the donation was received.**

**Remember that the basic rate of tax changed on 6<sup>th</sup> April 2008.**

The Budget 2008 contained provisions for a Gift Aid Transitional Relief of 22% for the tax years 2008/9 to 2010/11. The effect of this is to maintain the Gift Aid recovery percentage at 28.2%, despite the reduction in the basic rate of tax. Transitional Relief will be added by HMCE to make it up to the equivalent of the 22% rate when a Gift Aid claim is made.

Next, complete the R68 Claim form. There are some instructions on the form.

1. If HMRC have not sent you the form, please ensure that you enter all the details in both boxes on the top right. The HMRC Charities reference number should appear on correspondence from them to you.
2. Fill in the details about the claim.
  - a. Name of person authorised to make claim is the individual registered with HMRC to deal with claims on behalf of the church. You do need to include your own National Insurance number on the form as HMRC use this as a check that you exist, and it is not a false registration.  
  
Registration is by using form ChN1 available from HMRC or on line at [www.hmrc.gov.uk/charities/forms.htm](http://www.hmrc.gov.uk/charities/forms.htm)
  - b. The accounting period end is 31 December each year
3. Amount of claim section uses the information from your R68 Gift Aid form and your calculations of tax reclaimable. Put in the first and last dates of donations included in your claim in the boxes.
4. Payment. Direct to church bank account is quickest and safest.
5. Declaration: tick the box that the charity is exempt under sections 505, 507 or 508 of the Income and Corporation Taxes Act 1988.

You should photocopy all the forms in case of a query from HMRC Charities. Send the forms to the address given on the R68 Claim. You should receive your repayment cheque in due course.

**These notes should be read in conjunction with HMRC Charities guidance notes for charities**

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