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Vision, Mission, Money?

How fundraising can be Tax Efficient

There are ways in which some fundraising activities can be arranged so that any monetary contributions from taxpayers can be enhanced through Gift Aid.

Gift Aid is related to the basic rate of tax, currently 20%. Gift Aid recovery is made by reference to this amount, which calculates through as 25p in the £1. However the Budget 2008 included a provision for transitional relief which maintained the rate of Gift Aid recovery at 28.2p in the £1. Individually these Gift Aid recovery sum can seem small but depending on the potential for the activity this may be a large sum. For example the tax back on £500 is £141.

To be eligible for Gift Aid a donation must be in money (cash, cheque, credit/debit card, bank transfer) and it must be a donation of the taxpayer's own money. A charge or a payment for goods or services is not eligible for Gift Aid. Donations must be voluntary. If free entry is offered to an event such as a flower show where donations are invited people who chose not to donate must be allowed entry, otherwise it is an entry charge.

Tickets for events and payment for meals are not donations and cannot be eligible for Gift Aid. There are strict rules as to what benefits a donor may derive from their gift, and financial limits apply. If a donor receives a benefit, for example a book, worth more than 25% of the value of their donation (for donations under £100, other limits apply above this amount) the donation is not valid under Gift Aid because of the value of the benefit. Arrangements where a lunch is said to be free and a donation suggested is likely to be caught by these benefit rules, as the person is making a donation with a benefit directly related to it, and the benefit is likely to be more than 25% of the value of the gift.

The donations must be traceable and this usually means via a special Gift Aid envelope. Alternatively you can use ordinary envelopes which the person places their name on if they have already completed a Gift Aid declaration.

Each event needs to be considered on its own right, with one factor being who the event is targeted at. If it is primarily the church congregation then, as most taxpayers have already completed a declaration, an ordinary envelope would be ok. If the event were likely to attract visitors then a special envelope would be better.

It is also possible for a Sponsorship fundraising event to be tax efficient with some small alterations to the standard form we are used to. HM Revenue and Customs produce a pro forma sponsorship form with a Gift Aid declaration which is reproduced overleaf.

Arranging a fundraising event to enable the tax to be claimable will not suit every occasion, however it may suit some and the extra income can make a difference.

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