

Charity Update December 2012



New model Gift Aid declarations

There have been recent legislative and administrative changes that will affect charities and non-profit organisations

Charities Online

New model Gift Aid declarations

Effective 1 January 2013, HM Revenue & Customs will cease to accept gift aid claims based on the old HMRC model declaration. From this date, the new model gift aid declarations must be used.

Gift Aid small donations scheme

These declarations include an explanation to the donor that they need to pay at least as much UK Income Tax and/or Capital Gains Tax for the year of donation as the charities and Community Amateur Sports clubs (CASCs) they donate to will claim on their donations.

Gift Aid and income tax changes

We have prepared updated model declarations which incorporate HMRC's new requirements and these can be downloaded [here](#).

CIOS

Real Time Information

Charities are advised to update their gift aid declarations as soon as possible, so that they are in place by 1 January 2013.

Charities Online

"Charities Online" is a new service that HMRC are planning to introduce in April 2013. This will replace the current R68(i) Gift Aid and tax repayment claims form and charities will be able to use an online form instead.

As well as the minimum information already requested as part of a Gift Aid claim, charities will also be required to provide details of each donor's first name or initial, last name, house name/number and postcode. These donor details must be provided to HMRC in a certain format, using the options below, to allow HMRC to scan the information to their system.

There will be three options for claiming Gift Aid:

1. **Claim online** - Each online form will allow the charity to provide the details for up to 1,000 Gift aid donors and the charity can submit as many claims online as required. The online form will automatically check that you have entered the information in the correct format and the claim can be submitted directly to HMRC online. A spreadsheet containing the donor details can be attached to the online form.
2. **Claim using external software** - this will allow charities to make larger claims using software on their own computer. A software package can either be developed in-house or purchased from a third party software provider. This will allow a charity to provide details of up to 500,000 Gift Aid donors in any one day.
3. **Claim using a paper form** - a new paper gift aid repayment claim form will be introduced; the ChR1 form for those charities that do not have internet access. Each paper form will allow the charity to provide the details for up to 90 Gift aid donors and the charity can submit as many paper claims as required.

Charity Update December 2012

Further guidance is available on the HMRC website [here](#)

The current gift aid system has proved to be too onerous for some charities. Recent statistics are not available, but CAF estimated in a report in 2009/10 that the charitable sector were leaving £750 million in gift aid unclaimed each year. Therefore, it is important that charities are aware of the changes to ensure that they take advantage of the gift aid repayments available.

Gift Aid small donations scheme

The Gift Aid Small Donations Scheme (GASDS) was announced in the 2011 Budget.

The scheme will enable eligible charities and Community Amateur Sports Clubs (CASCs) to apply for a gift aid style repayment on small cash donations of up to £20 without the need to obtain gift aid declarations. In general, eligible charities and CASCs will be able to claim these "top-up" payments on small donations totalling up to a maximum of £5,000 each year.

The Small Charitable Donations Bill will legislate GASDS and this Bill passed its Third Reading in the House of Commons on 26 November 2012.

The government have made some amendments to the eligibility criteria since the original announcement was made. The main changes are as follows:

- a charity will be eligible to claim under the scheme if it has made a successful gift aid exemption claim in at least two of the previous four tax years (previously three out of the previous seven).
- to qualify for the scheme the charity must claim £1 in Gift Aid for every £10 claimed under GASDS (previously £1 for every £2).

The scheme is expected to be implemented from 6 April 2013.

Gift Aid and Income Tax changes

The 2012 Budget highlighted some future changes to income rates and bands which will have implications for both the charity and the donors.

With effect from 6 April 2013, the top rate of tax will be cut from 50% to 45%. This will affect donors with taxable income exceeding £150,000.

This will reduce the higher rate tax relief available under gift aid and will increase the 'cost' of Gift Aid donations for the donor.

Therefore, we would recommend that any planned charitable donations are made prior to 6 April 2013 to take advantage of the relief under the higher tax rate.

CIOs are nearly here (we know we've said that before but...)

After years of waiting, the much anticipated Charitable Incorporated Organisations (CIOs) will be available soon.

The Charities Act 2006 included the provision for the introduction of a new legal form of incorporation which has been specifically designed for charities, known as the Charitable Incorporated Organisation (CIO). Originally anticipated for Summer 2008, the CIO has been subject to continuing delays.

The purpose of the CIO is to combine the advantages of having a corporate structure (e.g. reduced risk of personal liability) without the burden of dual regulation (the Charities Act and Companies Act). They will be subject to the Charities Act and the Charities Commission only.

Charity Update December 2012

The relevant regulations come into force on 3rd January 2013 and CIOs will be able to join the Register of Charities from that date.

However, the Charity Commission has confirmed that they will start to consider CIO online applications to register brand new charities with income of over £5,000 from 12 noon on Monday 10 December 2012.

Registration for other charities will be implemented in stages. The Charity Commission has published the following draft timetable on its website:

From late March 2013	window opens for existing unincorporated charities (to set up a CIO and transfer assets into it) with incomes of over £250,000.
From May 2013	window opens for existing unincorporated charities with incomes between £100,000 and £250,000.
From July 2013	window opens for existing unincorporated charities with incomes between £25,000 and £100,000.
From October 2013	window opens for existing unincorporated charities with incomes between £5,000 and £25,000.
From January 2014	window opens for existing unincorporated charities with incomes less than £5,000 and for brand new charities with anticipated annual incomes of less than £5,000.

Real Time Information (RTI)

From April 2013, Real Time Information is being introduced, which will change *when* PAYE information is submitted to HMRC.

Under the current PAYE system employers tell HM Revenue and Customs what deductions have been made from employees' pay after the end of the tax year. Only then are HMRC able to review whether the correct deductions have been made under PAYE.

Under RTI, HMRC will be receiving information when payments are made and will be better able to ensure the correct deductions are made from pay. This will mean more employees will pay the right amount of tax and National Insurance in the tax year.

A Return will need to be submitted to HMRC every time the payroll is run, as part of the monthly payroll process.

Specific advice should be obtained before taking action, or refraining from taking action, in relation to the above.

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