

Charity Update Gift Aid and Digital Giving



Your chance to have a say

This briefing looks at the latest developments in Gift Aid and digital giving. There's the opportunity for you to have your say so please don't miss your chance!

Gift Aid Declarations

Your chance to have a say

The HM Treasury have opened a consultation document on "Gift Aid and Digital Giving". The purpose of which is to propose changes to the Gift Aid Scheme which makes it easier for charities to claim Gift Aid on donations made through digital, and other, channels.

Non-charity intermediaries

The motivation behind the changes is to encourage individuals to donate to charities and to increase the take-up of Gift Aid relief.

Universal Gift Aid Declaration Database

The document encourages feedback on three key areas:

- Simplification of the Gift Aid Declaration
- Increased involvement by non-charity intermediaries in operating Gift Aid
- Views on a Universal Gift Aid Declaration Database

These proposals are summarised below.

The timescale for implementing the proposed changes has not been set, but there is suggestion of a phased introduction, through the Finance Bill 2014 and the Finance Bill 2015.

Gift Aid Declarations

Feedback from charities in the past has suggested that the Gift Aid Declaration is too long and can deter potential donors.

Currently the Gift Aid Declaration is required to include a statement that the donor has paid sufficient income or capital gains tax in the tax year to cover the gift aid to be claimed on the donation. The charity is required to inform the donor that if they have not paid sufficient tax, HMRC have an obligation to recover the shortfall in tax from the donor. This can also be a deterrent for potential donors.

The document proposes a simpler, shorter Gift Aid Declaration. The declaration would still require a statement to ensure that the donors are aware that Gift Aid is linked to the amount of tax they have paid, but it would not need to include the full details.

The government believe that it would be inappropriate for the donor to be liable for any unpaid tax that arose, if they are not receiving the full information from the charity about the consequences of making the declaration. Therefore, interestingly, the government are proposing shifting the potential tax charge to the charity rather than the donor.

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However, in order to reduce the potential liability for the charity, the governments are considering putting an upper limit on the value of the donations where the charity would be liable over the donor. The government are currently proposing a threshold falling between £5,000 and £10,000.

The charity would still be entitled to choose to use the longer Gift Aid Declaration if they wish.

The document discusses two further considerations that would need to be taken into account if introducing this proposal:

Some donors may have donated to more than one charity during the year period. Therefore, it would be necessary to define how the unpaid tax charge would apply. Would it be shared equally between the charities or would it depend on when the gift aid claims were made?

If the charity is picking up the tax liability where the donor has paid insufficient it seems unfair that the name of the donor is unknown to the charity. They could still be claiming gift aid on the donations from that individual and generating further liabilities. HMRC would need to introduce a new power to legislation if they are to reveal the name of the donor to the charity. The new Gift Aid Declaration would, therefore, need to include a statement that HMRC will check and may tell the charity if the donor has not paid enough tax.

Non-charity intermediaries

There are a wide range of digital channels available for donating to charities and the donations are often processed by a third party, or intermediary, on behalf of a charity (for example, a giving website or a text giving provider).

Currently, an intermediary can either collect the gift aid declaration and pass this on to the charity to make the gift aid claim, or they can make the gift aid claim on behalf of the charity and pass on the repayment.

A donor must complete a separate Gift Aid declaration for each charity they donate to using each intermediary. This can be cumbersome and can discourage the donor from completing the gift aid declaration.

The government have made two proposals which allow non-charity intermediaries to collect and distribute Gift Aid to charities.

The first proposal would allow donors to complete only one Gift Aid Declaration to cover all donations made through a particular intermediary. The non-charity intermediary would be named in the Gift Aid Declaration signed by the donor. This would allow the intermediary to claim the Gift Aid from HMRC and pass the repayment onto the charities in accordance with the donor's instructions.

This would of course have some implications for the non-charity intermediaries. They would need to accept sole responsibility for the Gift Aid Claims, the intermediary may be liable where insufficient tax has been paid to cover the Gift Aid claimed and a regulatory regime over the intermediaries would need to be established.

In the second proposal, the donor would complete one Gift Aid Declaration as outlined under the first proposal above. However, the intermediary would not complete the Gift Aid claim themselves, but would pass the Gift Aid Declaration to the charity for them to process. The intermediary would still be subject to a regulatory regime, although this would be simpler than under the first proposal. The issue over the any potential tax liability would also need to be considered as the intermediary still has responsibility for the Gift Aid Declarations and informing donors of the Gift Aid rules.

The consultation also requests feedback on how HMRC guidance and support could assist intermediaries to operate the Gift Aid System efficiently.

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Universal Gift Aid Declaration Database

Charities and other interested parties have expressed an interest in the development of a Universal Gift Aid Declaration Database (UGADD) within the sector.

A donor would sign one single Gift Aid Declaration to cover all donations to all charities through all channels. A database would be needed to store these declarations and allow charities to access this information.

Although the government are not proposing to develop and operate a UGADD, it would be interested to hear any views on how a suitable model could be developed. They would consider supporting the introduction of such a database if there was sufficient interest from charities and donors to make it a viable option.

Further details on the consultation and its proposals can be found [here](#)

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

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