

Gift Aid

Self Assessment Taxpayers

From 6 April 2004, taxpayers who submit their own self assessment tax returns to the Inland Revenue are able to nominate a refund (or part) of overpaid tax to any registered charity. This includes Churches and C of E schools. Any refund received at this office will be paid direct to the parish or school and you will be notified accordingly - no action is required on your part.

Introduction

This booklet is produced by the Diocese of Ely and is intended to cover the main aspects of Gift Aid with particular regard to local procedures for registering donations and reclaiming the tax reimbursement via the Diocesan Office.

It does not purport to cover every aspect of Gift Aid legislation and in such instances it will be necessary to contact the Diocesan Office for advice. Please do not hesitate to contact us for advice - we will be pleased to hear from you.

Audit Trail

This means that there has to be a continuous record for audit and inspection purposes of all Gift-aided donations made from the Church collection plate to the bank. This could take the form of the individual donor envelopes (normally each donor is allocated a number printed on his/her envelope) being marked with the amount of money donated to an entry in a ledger or similar computer record to the amount shown in the bank or building society paying-in book and thence to a corresponding entry in the bank/building society statements.

Donations made by standing order or direct debit should be easily identifiable via these statements

It goes without saying that loose cash donations cannot be Gift-aided.

Each Church or School will maintain its own accountancy system tailored to its own requirements but if these follow the broad lines detailed above there should not be any audit difficulty.

Bank Or Building Society Interest

Tax deducted from interest received on Bank or Building Society accounts is eligible for repayment to Charities. Please provide the Diocesan office with the appropriate certificates so that a claim may be made.

Tax cannot be reclaimed on tax deductions made on dividends received from stocks and shares.

Companies

Limited companies are not eligible to Gift Aid their donations from 6 April 2000.

Covenants

The last date for any new Deeds of Covenant to be taken out was 5 April 2000. As the Covenants were for four years the last Covenant would have expired on 4 April 2004, although claims for tax reimbursement can be made after the latter date.

Declarations

To be valid the declaration must contain the following information:

- 1) The name of the Church or School.
- 2) Surname, Christian/forename or initial.
- 3) Address including street no. or name of house if there is no street number. The address must be the normal private residence of the donor - a business or c/o address is not valid.
- 4) Post-code.
- 5) That donations are intended to be Gift Aided.

Although there is no legal requirement for the Declaration to be signed or dated, nevertheless it makes for good sense that this is completed.

In the case of an oral declaration, the Church or School must confirm in writing to the donor the intention of his/her donation before making any claim for tax reimbursement. Please check with this office the contents of the letter before it is issued.

The Declaration will normally indicate whether the donor is making a "one-off" or "on-going" donations

A “one-off” declaration can only be used to cover that one particular donation and no other. If, at a later date, a further “one-off” donation is made this must be supported by a further “one-off” declaration.

“On-going” declarations can be valid to include any donations made from 6 April 2000 (when the present Gift Aid legislation became effective), or to include donations from other stipulated dates as determined by the wording on the declaration.

There is no requirement to obtain a further Gift Aid declaration, for instance, where donations are made to a subsidiary fund-raising event connected with the Church or School- eg.organ or bell appeal, etc.

However, where the appeal is not for the direct benefit of the Church or School- eg.a disaster appeal, then it will be necessary to obtain new declarations.

Donors & Donations

To be eligible a donor must be a UK tax-payer and pay sufficient income and/or capital gains tax to cover the amount of tax being reclaimed on the donation. For instance for every £100 donated £28 can be reclaimed when the standard rate of tax is 22%. (Remember that income tax can also include tax deducted from dividends and interest received and if the donor pays sufficient tax at the lower rate of 10% to cover the amount of tax being reclaimed he/she is still eligible to Gift Aid).

Donations can be made by cash, cheque, direct debit or standing order, credit card or postal order. If a donation made by cheque is dishonoured it will be necessary to treat that donation as null and void.(Any tax reimbursement received will require repaying to the Inland Revenue).

Donations made by UK tax-payers in foreign currency or Euros can be Gift-aided. It will be necessary to ascertain the exchange rate on the day that the donation was made and claim tax reimbursement on the equivalent UK currency.

Gift Aid is not applicable where a gift is in a material form (eg.a cooker for use in the Church Hall).

If a donor ceases to pay sufficient income/capital gains tax to cover the amount of tax being recovered please notify this office so that the appropriate refund of overclaimed tax may be made to the Inland Revenue.

Donor Benefit Rules

Where a donation is Gift-aided but in return gives a financial benefit to the donor, this donation could be ineligible for tax reimbursement (eg. where the donor receives a discount to an admission fee at a Church or School event).

Please check with the Diocesan Office in such cases.

Higher Rate Tax-Payers

Higher Rate Tax-payers (40%) may be eligible to claim tax relief of 18% of their gross donation - the difference between the basic rate of 22% and the higher rate. The donor themselves makes the application for refund direct to their tax office.

Please note that there is no financial advantage for the Church or School concerned.

Joint Declarations

These declarations are normally made by husbands and wives or occasionally by a business partnership.

For the declaration to be effective it will be necessary to ascertain how much each of the donors is donating. The Inland Revenue will not assume that the proportion is 50/50.

On balance, it would be preferable to obtain a separate declaration from each donor.

New Gift Aid Donors & One-Off Details

Forms for the above are available from the Diocesan Office.

Please ensure that details of new donors are sent in either before or at the same time as your turnaround report.

Failure to do so results in unnecessary correspondence and delay in claiming tax reimbursement. Please ensure that the form is completed in full otherwise delay will again occur.

This document can also be sent by X-L e-mail (please see TURNAROUND REPORT for address).

Records

- 1) Gift Aid declarations and envelopes with Gift Aid declarations should be retained indefinitely, or until six years have elapsed since the declaration was cancelled or ceased (eg. from date of death).
- 2) A sample of other envelopes such as those described under AUDIT TRAIL should be also retained for six years. It is recommended that the sample should be for a complete month of the year and that if, for example, you keep all the envelopes in March one year, then you retain another month the next year.

Alternatively, you could keep a few sample envelopes for each month of the year.

It is good practice to keep all of these envelopes for a complete tax year before disposing of as you may hav

- 3) Any correspondence and ledger/computer records should be retained for six years.
- 4) The six years is calculated from 31 December following the date of the claim for tax reimbursement - eg. Claim made 15 May 2005, records retained until 31 December 2011.

Schools (Educational Trips)

Voluntary parental donations to send students on educational trips in school time may be eligible for Gift Aid tax relief provided that the donations are not refundable if the trip is cancelled or if the student does not go. However, the cost of travel and entry fees and any food and drink supplied free, may breach the donor benefit rules (see under) and thus invalidate or reduce the tax reimbursement payable.

In these circumstances please check with the office for advice.

Self Assessment Taxpayers

From 6 April 2004, taxpayers who submit their own self assessment tax returns to the Inland Revenue are able to nominate a refund (or part) of overpaid tax to any registered charity. This includes Churches and C of E schools. Any refund received at this office will be paid direct to the parish or school and you will be notified accordingly - no action is required on your part.

Shares And Securities

The rules concerning gifts of shares and securities to charities (including churches) and the disposal thereof are complex and the advice of a stockbroker or investment manager should be obtained in these circumstances.

Basically, the proceeds from a sale cannot be Gift Aided. The tax advantage is with the individual donor or company who donates the shares or securities to the donor and they should contact their own tax office accordingly.

If a charity decides to retain a gifted investment it will probably receive income from dividends. The associated tax credit is not repayable to the charity but it may be possible to claim Tax Credit Transitional Relief. Please refer to the Diocesan Office in these circumstances.

Sponsored Events

The appropriate forms are available from the Diocesan Office.

Care should be taken that these forms are legible and are correctly completed otherwise it is not possible to claim the full entitlement to the tax reimbursement.

To comply with Inland Revenue requirements a separate record will kept by the Diocesan Office for sponsored events.

Tax Reimbursement - Making Own Claim

If you wish to deal with the Inland Revenue direct when making a claim for tax reimbursement, please contact:

Inland Revenue Charities
St John's House
Merton Road
Bootle
Merseyside
L69 9bb

Tel: 0845 302 0203 or www.inlandrevenue.gov.uk

Time Limit For Making Claims

A Gift Aid claim must be submitted to the Inland Revenue within six years from the end of the accounting period to which the claim relates - eg. tax year ended 5 April 2002 - claim to be submitted by 5 April 2008. For Tax Credit Transitional Relief, the claim must be submitted within two years from the end of the accounting period to which the claim relates.

Turnaround Reports

These are issued every quarter and should be returned as soon as possible so that tax reimbursement on behalf of your parish or school can be made with the minimum of delay.

It is important that donations made between 1 April and 5 April (end of the tax year) are included in the turnaround report for this quarter.

Please note that this document can be sent by X-L e-mail.

If you have not used this method before please contact the Diocesan Office to ensure that your format is compatible with this system and the requirements of this office.

This address is as follows: gift.aid@office.ely.anglican.org

It would be helpful to indicate on the turnaround report those donors who have ceased to Gift Aid (eg. Deceased, left area, no longer a tax-payer, etc.) Please make a brief note for the reason and an approximate date when the donor ceased giving.