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# GoodHub's Ultimate Guide to Gift Aid

Gift Aid is a powerful tool provided by the UK Government, allowing charities, schools, faith groups, and sports clubs to reclaim tax paid by their donors.

In this comprehensive guide, we will explore the fundamentals of Gift Aid, including its background, rules, eligibility criteria, and the process of making Gift Aid claims.

## What is Gift Aid?

At its core, Gift Aid is a scheme designed to enable eligible organisations to reclaim tax paid by their donors. This includes income tax and capital gains tax.

The government repays Gift Aid at the basic rate of Income Tax, resulting in an effective rate of 25% of the donations received.

## Who can claim Gift Aid?

To claim Gift Aid, an organisation must be recognised as a charity or community amateur sports club (CASC).



## What are the rules of Gift Aid?

- 1. Charitable Status:** To claim Gift Aid, an organisation must be recognised as a charity or a community amateur sports club (CASC). Registration with the appropriate regulatory body, such as the Charity Commission, the Office of Scottish Charity Regulation, or the Charity Commission for Northern Ireland is often required.
- 2. Donor Eligibility:** Gift Aid donors must be individual UK taxpayers. Donations from companies or non-taxpayers do not qualify.
- 3. Tax Sufficient to Cover Donations:** Donors should pay enough income tax or capital gains tax to cover the amount of Gift Aid claimed on their donations in the relevant tax year.
- 4. Gift Aid Declarations:** A valid Gift Aid declaration is necessary for each donation. Declarations must include the name of the charity, donor identification, consent to reclaim, an explanation of the donor's repayment responsibility, and a signature, although signatures are not legally required.
- 5. Accurate Record-Keeping:** Charities must maintain accurate records of donations, including donor details, amounts, and dates. Even in the absence of a declaration, retrospective claims can be made for up to four years.

## What can be “Gift Aided”?

Various fundraising sources are eligible for Gift Aid, including monetary donations of any size, donation-only events, charity auctions, volunteer expenses, and the sale of goods on behalf of an individual. It's crucial to review the rules on HMRC's website to ensure compliance.

# What donations are eligible for Gift Aid?

Donations are eligible for Gift Aid if:

- The individual is a UK taxpayer.
- The individual has paid enough income tax or capital gains tax to cover the Gift Aid claimed on their donations in the relevant tax year.
- The individual has made a valid Gift Aid declaration to the charity, providing the necessary details and consent.

## How are Gift Aid payments calculated?

Gift Aid payments are calculated at the basic rate of Income Tax. The government repays Gift Aid at this rate, resulting in an effective reclaim of 25% of the donations received. For example, if a donor gives £100, the charity can claim Gift Aid of £25, making the total donation worth £125.

### Higher rate taxpayers

Higher rate taxpayers are entitled to a tax refund on charitable contributions of the amount that exceeds the Gift Aid tax refund. To claim your additional personal tax relief (the difference between the higher rate and the base rate of 20%) it is necessary to include information about charitable contributions on a self-assessment tax return.

## To calculate Gift Aid payments for a specific period

Multiply the total eligible donations received by 25%. This calculated amount represents the Gift Aid that can be claimed from the government.

For aggregated donations or those under the Gift Aid Small Donations Scheme (GASDS), specific rules apply, and it's essential to refer to HMRC guidelines for accurate calculations.

It is necessary to maintain accurate records, submit claims at least once a year. You can use HMRC's online services if you wish to process your own claims.

## Does HMRC check Gift Aid?

Yes, His Majesty's Revenue and Customs (HMRC) routinely checks Gift Aid claims to ensure compliance with the rules and regulations. Charities are required to maintain accurate records, and HMRC may conduct audits or inspections to verify the validity of Gift Aid claims.

It is crucial for charities to adhere to the guidelines and provide the necessary documentation when requested by HMRC.

## Can a payment from a joint bank account qualify for **Gift Aid**?

If a donation is made from a joint bank account, it is necessary for both parties to be taxpayers and for them both to endorse a Gift Aid Declaration.

## Can a donation from an individual who does not work qualify for **Gift Aid**?

Gift Aid eligibility is not limited to individuals who are currently employed.

As long as they are a UK taxpayer and have paid sufficient income tax or capital gains tax to cover the Gift Aid claimed on their donation in the relevant tax year.



## Can a retired individual add **Gift Aid** to their donation?

Yes, being retired does not disqualify an individual from making a Gift Aid declaration. If they are a UK taxpayer and fulfil the other eligibility criteria, such as having paid enough income tax or capital gains tax, they can still add Gift Aid to their donation.

It's important to note that Gift Aid is contingent on individual tax circumstances, and donors should ensure they meet the necessary requirements before making Gift Aid declarations. Additionally, keeping accurate records and understanding the rules can help ensure a smooth Gift Aid process and compliance with HMRC regulations.

## Can **Gift Aid** be applied to donations to multiple charities?

Multiple donations may be made to UK charities and will qualify for Gift Aid providing that the individual has paid sufficient tax to cover the total of the Gift Aid payment.

## Is it necessary to complete a **Gift Aid** declaration for each donation to a specific charity?

No all that is needed is a single Gift Aid declaration that covers all an individual's eligible gifts. The declaration may be retrospective up to four years ago (April 6– 5 April, tax year) as well as covering all future donations.

# Gift Aid Terms You Should Know

## Gift Aid Declarations

Gift Aid declarations are essential for the successful reclaim of tax. Declarations must include the name of the charity, donor identification, consent to reclaim, an explanation of the donor's repayment responsibility. The donor's signature is not legally required.

## Repayment Claims

Most Gift Aid repayment claims are made online through HMRC's Charities Online service. Accuracy is crucial, and charities should aim to make at least one claim per accounting year. HMRC allows backdated claims for up to four accounting periods.

## Aggregating Donations

HMRC permits the aggregation of small donations up to £10 for ease of form filling. Charities can aggregate donations with a combined value of up to £1,000 per line on a Charities Online submission.

## Gift Aid Small Donations Scheme (GASDS)

The GASDS allows charities to claim a 'top-up' payment on small donations up to £30, received without a Gift Aid declaration. This scheme can provide an uplift of £2,000 per year, and additional rules apply, especially when using the 'Community Buildings' scheme.

## Fundraising with GoodHub

Understanding and maximising Gift Aid can significantly benefit charities, helping them reclaim essential funds that might otherwise go unutilised.

By adhering to the rules, maintaining accurate records, and staying informed about the various schemes available, charities can unlock the full potential of Gift Aid and make a meaningful impact on their fund raising.

GoodHub is a UK based digital fundraising platform offering all charities and non-profits an unbeatable package of online fundraising features. Our features include Gift Aid Processing for all eligible donations received plus professional support.

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**If you need further information or advice on Gift Aid:**

**Email [hello@goodhub.com](mailto:hello@goodhub.com) with subject line "Gift Aid" or call on **01225 312388** and we will answer your Gift Aid questions.**