



Justine Greening MP
Economic Secretary to the Treasury
HM Treasury
1 Horse Guards Road
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13 October 2010

Dear Minister,

Thank you for the opportunity to contribute to the Gift Aid Forum and respond to the Gift Aid Forum report, prepared by Peter Fanning, Chief Executive Officer of the Chartered Institute of Taxation. We would like to extend our thanks to Peter for his time and hard work putting this together.

We would like to stress that the charity sector is large and varied. As sector bodies representing different professional groups and sub-sectors, by nature the Gift Aid Forum representatives have different priorities and preferences regarding the options for Gift Aid reform. This is something that should not be regarded as a problem, but is a symptom of a thriving sector which benefits in a variety of ways from the successful Gift Aid scheme.

In saying this, while not necessarily representing each organisation's priority for reform, the following represents areas of mutual agreement, and outlines our preferred timetable for this reform.

The overarching principles of Gift Aid reform

In general we consider that any reforms which do take place should do so with the consideration of four overarching principles. These principles have formed the basis of our final recommendations and are as follows:

- a) The ambition to reform should be balanced with costs, at a time of fiscal consolidation, and the risks of undermining what is already a successful scheme.
- b) That Gift Aid retains its status as a tax relief, and does not become Government expenditure.
- c) That charities' incomes are protected, at the current level, whilst the short-term reforms are implemented.
- d) The donating public must not pick up the message that Gift Aid is broken.

Timetable for reform

With these principles as a background we would like to put forward the following timetable for reform. The proposals here represent cost effective reforms which would support charities in improving the uptake and administration of Gift Aid in the long-term. It is our view that these proposals can be introduced immediately at little cost to government and has the potential to reduce administrative costs to Her Majesty's Revenue and Customs.

Short term – By Budget 2011

1. The introduction of a Gift Aid database, and the removal of mandatory paper declarations.
2. A commitment to implement a facility to enable the filing of Gift Aid claims online which includes:
 - a. Legislation in Finance Act 2011
 - b. An agreed timetable for a software project and proposed deadline for implementation
3. Officials to undertake a review of the existing legislation and guidance, in particular:
 - a. Review of the rules on benefits
 - b. Relaxing the Gift Aid declaration conditions around addresses and for sponsored events
 - c. To identify a simple, pragmatic solution that maximises the eligibility of Gift Aid on charity auction income
 - d. Relaxation of the money rule
 - e. Clarification around split payments
 - f. Clarifying the rules and making it simpler for charities to have membership schemes that are approved for Gift Aid
 - g. Allowing Gift Aid to be claimed on text donations
 - h. Clearer clarification of how Gift Aid applies to donations made when only one member of a couple is a taxpayer
 - i. Clearer instructions on oral declarations
4. Ministers should consult with the tax profession to explore how tax professionals might donate their skills and time to support charities in complying with and benefitting from the Gift Aid system.

Longer term reform

We would also like to see the set up of a separate working group to explore possibilities into feasible options that would allow higher rate taxpayers to redirect the relief on their donations to charities, if they so choose. Such reform needs to be as simple as possible for the donor and the charity. This program should involve a research element in order to ensure fully informed discussion.

The financial environment charities find themselves in is changing dramatically. At the same time we are also seeing huge developments in the ways charities fundraise and the ways donors choose to give. It is important that Gift Aid remains a dynamic and useful tax relief - enabling donors and charities to maximise the potential of donations in a tax effective way. The reforms above are essential in modernising Gift Aid - enabling it to keep up with technological and philanthropic developments over the coming years.

We would be happy to discuss with you or your officials any of the recommendations in this letter. Please do not hesitate to contact our individual organisations if you require further information.

Yours sincerely



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