

Gift Aid Claims & Declarations – are you too late?

March 2006

stewardship[®]

PO Box 99, Loughton, Essex, IG10 3QJ

t: 08452 26 26 27

e: enquiries@stewardship.org.uk

w: www.stewardship.org.uk

This Briefing Paper, and others like it, are provided free of charge and help a great many churches and charities. Their development involves many hours of dedicated professional expertise both from within and outside of Stewardship. They are provided at our own cost as part of our mission to equip you.

If you find the material in this Briefing Paper to be of value, we would invite you to respond in the following ways:

- Subscribe to receive our email bulletins (You can do this via our website, www.stewardship.org.uk);
- tell others in your church or charity about our resources; and
- Consider making a financial gift to Stewardship in appreciation of this material.

You are under no obligation to make a gift but any gift that you can make will be greatly appreciated.

CONTACT DETAILS

Stewardship
PO Box 99, Loughton, Essex IG10 3QJ
t 08452 26 26 27
f 020 8502 5333
e enquiries@stewardship.org.uk
w www.stewardship.org.uk

Stewardship is the operating name of Stewardship Services (UKET) Limited, a registered charity no. 234714, and a company limited by guarantee no. 90305, registered in England
© Copyright Stewardship 2006

COPYRIGHT

This publication is the copyright of Stewardship. If it is to be reproduced in whole or part it must not be for commercial gain and should clearly acknowledge Stewardship with the following wording: "Reproduced with permission from Stewardship. www.stewardship.org.uk". If extracts are to be used in another context, permission should be sought in advance by emailing enquiries@stewardship.org.uk or telephoning 0208 502 5600.

DISCLAIMER

Whilst every care has been taken in the preparation of this material, Stewardship cannot be responsible for action taken or refrained from in reliance thereon. It is recommended that appropriate professional advice be sought in each relevant individual circumstance

table of contents

	Page
1 Introduction	2
2 Time limits	2
2.1 Charities that are trusts	2
2.2 Charities that are companies	2
3 A word about Declarations	4
4 Conclusions and Advice	4
5 Further help	5

1 Introduction

- 1.1 This briefing paper is designed to both highlight the opportunity that exists for charities to reclaim tax for past donations, possibly going back a number of years, and to explain the time limits for doing so. It concludes with relevant advice to those responsible for making claims.
- 1.2 Gift Aid in its current form was introduced in April 2000. It allows a charity to reclaim the basic rate tax paid by the donor where that donor has made a 'qualifying payment' to the charity and the charity holds a valid 'Declaration' from the donor.
- 1.3 A donor can give a Declaration to cover a specific donation or any donations that they have made in the past provided that the charity has received this prior to the time limit for reclaiming the tax from HM Revenue and Customs. This normally provides for a time frame of around 6 years after the donation for the Charity to obtain a Declaration from the donor. The specific time limits are set out below.
- 1.4 At the time of writing (March 2006), the time limits for claims are about to run out for the first time under the present gift aid scheme.

2 Time limits

The time limit for making a claim, depends on whether the charity is treated as a trust or a company for tax purposes. As the time limits are different, it is essential that you know what status your charity has.

2.1 Charities that are trusts

Your charity is likely to be a trust if its governing document is a trust deed. If you are unsure of its status, you should check with your accountant or legal adviser.

For charities that are trusts, the time limit for making a claim is ***within 5 years of 31 January in the year following the end of the tax year (5 April) to which the claim relates.***

Example

Donations are made to your charity between 6 April 2000 and 5 April 2001, the first year of this Gift Aid scheme.

- The donations are made in the tax year 2000/2001.
- 31 January in the year following the end of the tax year is 31 January 2002.
- Therefore claims in respect of the above donations must be with HM Revenue & Customs no later than 31 January 2007 (5 years after 31 January 2002)

2.2 Charities that are companies

It is not uncommon for many Churches and Christian charities to be established as Companies Limited by Guarantee. These will be companies for tax purposes. But so will other forms of charity that are not trusts. So, again, if you are in doubt as to the tax status of your charity, seek professional advice.

Companies choose their own financial accounts year end date, usually at the time that the company is incorporated. Common year ends are 31 December and 31 March but they can be any date in the year. For company charities, the time limit for making a gift aid claim is **6 years from the end of the accounting period to which the claim relates**. The term 'accounting period' has a technical meaning for tax purposes but in most cases, this is the same as the financial year for which accounts are normally prepared.

So when you consider any payments made under the Gift Aid scheme in the *tax year* 2000/2001 (6 April 2000 to 5 April 2001, and the first year of the present gift aid scheme), you will need to establish which **accounting period** each donation falls into. In the company case, this presents an additional complication: **There may be different time limits for donations received in the same tax year depending on the year end date (the accounting period)**. Note: If you have prepared accounts for a period of longer than 12 months, there will be more than one accounting periods for tax purposes and these will not be the same as the financial accounts period. In such a case, you should take early professional advice.

Examples

All the charity's donations are received on the last day of each month and since April 2000, these have amounted to £1000 per month.

Scenario 1

Accounts are prepared annually to 30 April each year.

- The April 2000 donations of £1,000 fall into the accounting period ended 30 April 2000.
- Claims for repayment of tax on these donations must therefore be made by 30 April 2006
- Donations made in the period 1 May 2000 to 5 April 2001 **and** from 6 to 30 April 2001 (£12,000), fall into the accounting period ended 30 April 2001.
- Claims for repayment of tax on these donations must therefore be made by 30 April 2007.

Scenario 2

Accounts are prepared annually to 31 December each year.

- Donations made between April 2000 and December 2000 fall into the accounting period ended 31 December 2000.
- Claims for repayment of tax on these donations (£9,000) must therefore be made by 31 December 2006
- Donations made in the period 1 January 2001 to 5 April 2001 **and** from 6 April 2001 to 31 December 2001 fall into the accounting period ended 31 December 2001.
- Claims for repayment of tax on these donations (£12,000) must therefore be made by 31 December 2007.

Scenario 3

Accounts are prepared annually to 31 March each year.

- Donations made between April 2000 and March 2001 fall into the accounting period ended 31 March 2001.
- Claims for repayment of tax on these donations (£12,000) must therefore be made by 31 March 2007
- Donations made in the period 1 April 2001 to 5 April 2001 **and** from 6 April 2001 to 31 March 2002 fall into the accounting period ended 31 March 2002.
- Claims for repayment of tax on these donations (£12,000) must therefore be made by 31 March 2008.

3 A word about Declarations

Strictly speaking, the Declaration that is needed from a donor in order for a donation to qualify for gift aid relief does not need to be dated.

Therefore, all that is needed is for a valid Declaration to be held at the time that the Claim for repayment is made to HMRC. This means that, depending on circumstances, a Declaration can be obtained in some instances almost 7 years after the donation was made.

4 Conclusions and Advice

- 4.1 The first step is to consider if there are any donations in the past that potentially qualify for gift aid relief. If a previous treasurer has not made claims for earlier years, or no one realised that claims could be made for back years as outlined above, your charity could be in for a pleasant windfall. But some groundwork will be needed. Therefore start on this process as early as possible.
- 4.2 You will probably need to research old accounting records in sufficient detail to identify donors and amounts. You will then need to establish whether or not a claim has already been made in respect of that donation and whether or not a valid Declaration exists to cover both that donor and the particular donation.
- 4.3 Where seeking new Declarations to cover past gifts, make sure that your Declarations are worded so as to cover 'all donations that I have made since 6 April 2000'. There is then no need to obtain a separate Declaration for each gift. But, a word of caution: the donor needs to have paid sufficient income tax or capital gains tax (at any rate or rates of tax) in the relevant *tax year* to cover the amount being reclaimed by the charity. The *tax year* is the relevant period here, regardless of whether the charity is a trust or company.
- 4.4 At the outset, check what is the earliest deadline for claims for your charity and claim all that you are able to within the time limit. Do not wait for return of the odd Declaration here and there from a few donors and prejudice the rest of the claim by trying to submit it late. **HM Revenue and Customs will refuse late claims.**
- 4.5 When tax is repaid late, the charity taxpayer is entitled to have interest added. Whilst HM Revenue and Customs are working towards automatically adding this to your

claim, this is not always the case at present. Therefore, specifically request by covering letter that any appropriate 'repayment supplement' is added to your claim.

5 Further help

Further help is available from Stewardship's Consultancy Helpline. For details of this service, please visit http://www.stewardship.org.uk/consultancy_helpline.htm or call Stephen Mathews on 020 8502 8588