



Gift Aid Claims and Declarations: are you too late?

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Stewardship Briefing Paper

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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 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 Her Majesty's Revenue & Customs (HMRC). This normally provides for a time frame of around four years after the donation for the Charity to obtain a Declaration from the donor. The specific time limits are set out below.
- 1.4 A new Scheme known as the Gift Aid Small Donations Scheme ('GASDS') was launched by the Government in April 2013 to sit alongside Gift Aid. The rules for obtaining 'top up payments' under the Scheme are not the same as Gift Aid itself but claims are made on the same form. The time limit for a GASDS claim is shorter than that for Gift Aid.

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 the status of your charity.

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 **four years following the end of the tax year in which the Gift Aid donations were received**. The tax year runs from 6 April to the 5 April following.



Example 1

Two donations are made to your charity by a supporter a week apart from each other, on 4 and 11 April 2011.

Assuming that the donor has given your charity a valid Gift Aid declaration covering both gifts:

- Gift Aid relief on the first donation made on 4 April 2011 can be claimed from HMRC by submitting the relevant claim form at any time up to 5 April 2015.

However,

- The charity has up to 5 April 2016 to claim relief on the second donation made a week later, because this donation falls into the next tax year (that is, the year to 5 April 2012).

2.2 Charities that are incorporated

Nowadays, it is not uncommon for churches and Christian charities to be established either as companies limited by guarantee, or as a Charitable Incorporated Organisation (CIO). These are treated as companies for tax purposes but so will other forms of charity that are not trusts. So, 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 **four 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.

If your charity has prepared company accounts for a period of longer than 12 months, there will be more than one 'accounting period' for tax purposes. The accounting periods for tax purposes will not then be the same as the financial accounts period. In such a case, the time limits for claiming Gift Aid relief become less obvious and you may need to take appropriate professional advice.

2.3 Claims by incorporated charities: change in basic rate of tax

If the basic rate of income tax changes, this will usually take effect at the beginning of the **tax year** (6 April to 5 April) but an incorporated charity needs to consider which **accounting period** each donation falls into. This means that the charity will need to consider which donations within the accounting period fall before 6 April or after 5 April so that the right rate of Gift Aid relief can be applied to each donation.

Example 2

All the charity's donations are received on the last day of each month and since April 2011, these have amounted to £1000 per month. There is no change in the basic rate of tax throughout the periods under consideration.

Scenario 2.1

Accounts are prepared annually to 30 April each year.

- The April 2011 donations of £1,000 fall into the accounting period ended 30 April 2011. Claims for repayment of tax on these donations must therefore be made by 30 April 2015.
- Donations made in the period 1 May 2011 to 5 April 2012 and from 6 to 30 April 2012 (£12,000), fall into the accounting period ended 30 April 2012. Claims for repayment of tax on these donations must therefore be made by 30 April 2016.

If the basic rate of tax had changed with effect from 6 April 2012¹, the charity would need to have applied the new rate of tax to their Gift Aid claim for the £1,000 donations received on 30 April 2012, which formed part of the claim on donations of £12,000 for the accounting period ended 30 April 2012.

Scenario 2.2

Accounts are prepared annually to 31 December each year.

- Donations made between April 2011 and December 2011 fall into the accounting period ended 31 December 2011. Claims for repayment of tax on these donations (£9,000) must therefore be made by 31 December 2015.
- Donations made in the period 1 January 2012 to 5 April 2012 and from 6 April 2012 to 31 December 2012 fall into the accounting period ended 31 December 2012. Claims for repayment of tax on these donations (£12,000) must therefore be made by 31 December 2016.

Scenario 2.3

Accounts are prepared annually to 31 March each year.

- Donations made between April 2011 and March 2012 fall into the accounting period ended 31 March 2012. Claims for repayment of tax on these donations (£12,000) must therefore be made by 31 March 2016.
- Donations made in the period 1 April 2012 to 5 April 2012 and from 6 April 2012 to 31 March 2013 fall into the accounting period ended 31 March 2013. Claims for repayment of tax on these donations (£12,000) must therefore be made by 31 March 2017.

¹ The basic rate of tax did not change in 2012. This is included for illustrative purposes only.



3. a word about Declarations

In order to make a valid Gift Aid claim on a donation, a Declaration has to be held in respect of it, at the time that the claim for repayment is made to HMRC. The above examples illustrate that a Gift Aid claim can still be made where a Declaration is obtained from a donor almost **5 years** after their donation was made.

Strictly speaking, the donor's Declaration does not need to be dated (but it must, amongst other things, contain the name and home address of the donor). However, the use of undated declarations can lead to practical problems since (a) an undated declaration that says "please claim Gift Aid on all donations that I have made in the last four years" or similar wording, will be meaningless; and (b) it is arguably harder to show that the declaration was held at a particular point in time. For this reason, we recommend that Declarations are dated by the donor, so far as is possible.

4. claiming for Gift Aid

Since 1 October 2013, all Gift Aid claims must be made using a new form and a new process. Most charities will want to make their claims online. For those that do not have access to the internet, it is possible to request a new repayment form, ChR1, from HMRC. However, completion of this is cumbersome!

For more detail on the new claims process, please refer to our [Briefing Note 2013/5](#) which explains the options open to charities, provides some tips on completing the new Gift Aid Schedules correctly, as well as providing a link to HMRC's helpful 'Online Demonstrator'. The Online Demonstrator also provides essential help to churches (and other charities) that wish to make a claim under the Gift Aid Small Donations Scheme for their 'community buildings.'

5. Gift Aid Small Donations Scheme - a word of caution!

Although GASDS top up payments are made on the same claim form as Gift Aid claims, the time limit for making the GASDS claim is quite different.

First, the time limit for a GASDS claim is geared to the tax year (to 5 April), regardless of whether the claimant charity is incorporated or not. Charitable trusts and charitable companies therefore have the same time limit.

Second, that time limit is only two years after the end of the tax year in which the Gift Aid small donation is received.

Finally, it is worth noting that under the GASDS 'matching' rule, the maximum amount that can be claimed under the Scheme is matched to the amount of the eligible Gift Aid claims made for the same tax year. It is therefore in the interests of the charity to submit a sufficient amount of Gift Aid claims within the two year GASDS time limit so as to maximise the amount that can be claimed under the GASDS.

Further detail on the Gift Aid Small Donations Scheme can be found in our two Briefing Papers on the subject:

- [Gift Aid Small Donations Scheme: a practical guide](#)
- [Gift Aid Small Donations Scheme: a comprehensive guide](#)

6. conclusions and advice

- 6.1 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, so start on this process as early as possible.
- 6.2 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.
- 6.3 Where seeking new Declarations to cover past gifts, make sure:
- i) That the donor was a taxpayer (paying income tax or capital gains tax - at any rate or rates of tax - in the relevant *tax year of donation*), and in sufficient amount to equal the tax that you will be claiming back. This is important since, at the time of writing, over 40% of adults in the UK no longer pay any income tax.

Where the basic rate of tax is 20%, your charity can claim 25p back for every £1 that is donated under Gift Aid.
 - ii) That your Declarations are worded so that the donor is asking you to claim Gift Aid on "all donations that I have made since [insert the earliest date that you can claim on]". There is then no need to obtain a separate Declaration for each gift.
- 6.4 At the outset, check what the earliest deadline is 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. HMRC will refuse late claims.
- 6.5 When tax is repaid some years after the tax year of donation, the charity is entitled to have interest (or a 'repayment supplement') added.

7. further help

Further help is available from Stewardship's Consultancy Helpline.

For details of this service, please visit <http://www.stewardship.org.uk/support-services/consultancy:-employers>, or email enquiries@stewardship.org.uk