

Gift Aid Small Donations Scheme: a comprehensive guide (for donations received after 5 April 2017)

April 2017



Stewardship Briefing Paper

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Readers should note that this Paper has been designed to describe the Gift Aid Small Donations Scheme in comprehensive detail. It is intended as a reference Paper for those that are new to the Scheme or those already making use of it but needing to understand the changes introduced for donations received after 5 April 2017.

Alongside this Paper, Stewardship has prepared a more simple 'Practical Guide' (April 2017) which also covers the rules for donations received after 5 April 2017.

1 Introduction

The Gift Aid Small Donations Scheme, perhaps better known as GASDS has been with us since 6 April 2013. Although widely welcomed at the time, the take-up by charities has been far below what the government intended. For example, the 2014/15 tax year saw £27 million of GASDS top-up claimed which may sound significant but is some 70% below the original estimate of £135 million set by the government.

Partly in order to address this shortfall, the rules of the Scheme have been amended for eligible donations received after 5 April 2017 and this Briefing Paper outlines the Scheme for those donations. To understand how the Scheme works for donations received before that date, please see either of our earlier papers; [the practical guide](#) or [the comprehensive guide](#).

1.1 Policy Intention

The intention of the Scheme is to enhance a charity's pre-existing Gift Aid programme by enabling a gift aid equivalent to be claimed on small donations in circumstances where it would otherwise be difficult or impossible to claim Gift Aid proper, because either the size of the donation does not justify obtaining a Gift Aid Declaration from the donor, or because there is insufficient relationship between the donor and the charity as, for example, with a street collection, or a church offering where occasional attendees or visitors may place cash into the offering.

1.2 Administration

The Gift Aid Small Donations Scheme ('GASDS') is governed by the Small Charitable Donations Act 2012 ('the Act') and regulations made under the Act. The changes which apply to donations received after 5 April 2017 are contained in the Small Charitable Donations and Childcare Payments Act 2017. Payments from the Scheme fall within the Government's public expenditure budget. Unlike Gift Aid, they are not part of a tax relief. Notwithstanding this, the GASDS will be administered by HMRC on behalf of the Government, alongside Gift Aid proper. As a result, a charity's GASDS claims will be made on the same form as will be used to claim Gift Aid.



1.3 Territorial Scope

The Act applies to the whole of the United Kingdom.

1.4 Terminology

In this Paper, references to 'the Scheme', 'the Small Donations Scheme' or 'SDS' are abbreviated references to the Gift Aid Small Donations Scheme (GASDS).

References to the 'Basic Allowance' (or 'Basic Limit') and the 'Community Buildings Allowance' are non-statutory terms which we have adopted in this Guide, for convenience. In the Act, these limits are, depending on context, referred to as 'the specified amount' and 'the community building amount'.

2 Outline of the Scheme

2.1 General

The purpose of the GASDS is to recognise that for many charities, and particularly for churches, it is very difficult to obtain Gift Aid Declarations from donors in respect of small cash gifts (for example, in the Sunday offering), even where a particular donor may be regularly contributing to the charity.

Therefore, since 6 April 2013, charities have been able to claim payment of an amount equivalent to gift aid for cash donations of £20 or less (subject to an overall limit per charity) without the need for the donor to complete any paperwork (such as the Gift Aid Declaration). Any claim is made alongside the usual Gift Aid repayment claim.

2.2 Basic rules

The basic rules are fairly straightforward and as churches and charities are becoming more used to the idea (church take-up is relatively high in the sector), it is a very welcome way of gaining additional funds from the Government as a result of donated income. So long as cash donations are handled and recorded in line with sensible financial controls and best practice, it will simply be a case of entering a figure (or series of figures where charities operate from community buildings) from the accounting records into the Gift Aid claim form. The GASDS payment will be received from HMRC alongside the usual Gift Aid repayment.

2.3 Enhanced payments for activities in 'community buildings'

There are some more complex rules designed to bring parity between different charities that, for historic reasons, are structured differently but, in essence, are delivering the same benefits at community level. For example, HMRC realised that, whilst Church of England parishes are individual charities in their own right, Roman Catholic churches at local level are not. They are usually charities at Diocesan level. Consequently, each parish of the Church of England would be entitled to their own GASDS payments, whereas the Roman Catholic Church would be, in total, entitled to hundreds, perhaps thousands of times less.

To address this, every registered charity operating from less than two community buildings is entitled to a basic £8,000 p.a. limit on eligible small donations received anywhere in the UK. However, charities using two or more community buildings may opt for a different route and instead be entitled to an £8,000 p.a. donation limit for each community building. This option covers donations received in the community building itself and now extends to donations received outside the building but within the same Local Authority Area as the building.

Although greatly simplified, the community buildings rules are still the most complex part of the Scheme and we have, therefore, devoted a separate section of this Paper to these rules. Churches or charities that operate out of a single community building can, therefore, safely ignore that section of the Paper.

2.4 Interaction of GASDS gifts with Gift Aid

A donation made under the Gift Aid Scheme cannot qualify as a donation under the Small Donations Scheme and vice-versa. Most charities will want to capture as many donations as possible under Gift Aid proper, not only as part of good charity management in building effective on-going relationships with donors, but also so as to maximise the capacity remaining for other cash donations to be received under the GASDS. In some cases, changing a small cash donation to a Gift Aided donation could actually increase capacity for (other) cash donations to qualify for the GASDS, as a result of the matching principle (See Paragraph 4.4, below).

Further, donors' gifts under the GASDS do not qualify for higher / additional rate tax relief.

Consequently, charities should continue to maintain efforts to maximise their Gift Aid donations.

3 Eligibility for the Scheme

3.1 Background

As with any funding available from Government sources, rules have to be built into the Scheme to protect the public purse from abuse. It is not necessary to go into the technical reasoning for each rule here. But, suffice to say, whilst the limitations set out below may, at first examination, appear to be unnecessary, the logic behind each of them is well grounded.

3.2 Qualification for the Scheme

To qualify for the Scheme, a 'small donation' has to be received by an 'eligible charity'. Both of these terms are defined in the Act. We deal, therefore, with each in turn.

3.3 Small donations

The definition of a small donation is fairly straightforward. The donation must be:

- Made by an individual;



- Made in cash¹ or (new for post 5 April 2017 donations) as a contactless donation from a card, mobile phone or other device and be £20 or less (this includes notes and coins of any currency). In cases where it is reasonable to assume that a gift exceeds £20 (e.g. two £20 notes folded together), such a gift cannot be included in a claim;
- Received in the United Kingdom by or on behalf of the charity;
- Deposited in the UK, with a UK bank or financial institution; and
- Used for charitable purposes.

The donation must not be:

- A Gift Aid or payroll giving donation;
- Provide the donor (or a person connected with them) with any benefit², nor be subject to any condition as to repayment, nor conditional on the acquisition of any property by the charity from the donor or a person connected with them; or
- A membership fee.

3.4 Small donations: some further points

- To qualify as a small donation, the gift must be one for which no Gift Aid declaration has been given in respect of it. The wording of the Act indicates that a donation which is eligible for a Gift Aid claim cannot be a small donation, even if no Gift Aid claim is made in respect of it³. Therefore, a charity cannot make a GASDS claim in respect of any cash gifts from a donor that has given the charity a Gift Aid declaration that applies to all gifts made by him or her.
- Cheques, standing orders and direct debit donations are not eligible. The reason for this is that the GASDS is aimed primarily at the charity's unidentified donors. It is assumed that, where a donor is willing to write a cheque, or enter into a regular giving arrangement for which they will need to give their name, etc., they will be willing and able to sign a Gift Aid declaration.
- The gift must not be otherwise income tax deductible.

3.5 Eligible charity

The rules relating to the eligibility of the charity have been significantly changed and simplified for donations received after 5 April 2017. There is only a single condition to meet, and so to be eligible to submit a claim under the GASDS, a charity must only **have not** received a penalty under Schedule 24 of the Finance Act 2007 in the year of claim or the preceding year.

The need for new charities to have completed a two year 'start-up period' (that is after being accepted by HMRC as a 'tax charity') has been removed, as has the need to have made successful Gift Aid claims in

¹ Cash refers only to notes and coins (of any currency) and specifically excludes cheques. Contactless donations do not extend to include other forms of debit or credit card transactions.

² A benefit of negligible value (such as a lapel sticker acknowledging the gift) will, however, be acceptable. This is in contrast to the Gift Aid Scheme itself where very small benefits can be given to the donor without affecting the eligibility of the donation for Gift Aid relief.

³ In practice, this would only be an issue where the charity is aware of the identity of the donor and has received a Gift Aid declaration from that donor. In these circumstances, it is in the interests of the charity to claim Gift Aid on the donation (a) in order to maximise their capacity for GASDS top up payments on other donations and (b) where appropriate, to maximise their Gift Aid claims that contribute to the Small Donations Scheme matching rules (paragraph 4.4).

at least two of the past four years. Whilst we would strongly encourage churches to regularly complete Gift Aid claims, we see both these changes as welcome.

The new eligibility rules open the way, for newly formed churches (and this includes churches converting to another legal structure e.g. CIO) and church plants which are charities in their own right, to become eligible for the Scheme from the outset.

3.7 Qualifying as a 'tax charity'

Although the 'start-up' period rules no longer apply, the charity is still required to be recognised by HMRC as a charity for tax purposes. Acceptance by HMRC as a tax charity is **not** the same as registration with the relevant charity regulator (such as the Charity Commission in England and Wales, the Office of the Scottish Charity Regulator, or the Charity Commission for Northern Ireland).

However, if a charity is required by charity law to be registered with a charity regulator, HMRC will require this registration to have been completed before they themselves will accept an application from the charity to be recognised for tax purposes.

The good news is that HMRC will backdate 'tax charity' status to the time that the charity first fulfilled all of their requirements. This presupposes that there have been no material changes in the charity's governing document between the date of formation and the date of registration with the charity regulator.

Once registered, and subsequently accepted by HMRC as a tax charity, the charity can make Gift Aid claims for any prior period that they were deemed to be a tax charity, so long as they meet the Gift Aid requirements, including holding Gift Aid Declarations from the relevant donors.

3.8 Recognition as a tax charity – the process

Recognition by HMRC as a charity for tax purposes involves a verification process for which more detail can be found in our Stewardship Briefing Note 2015/1, available from [our website](#), and by reference to the [HMRC Application Form ChA1](#) and the associated [Guidance Notes](#).

Existing registered charities that are also already recognised by HMRC Charities for Gift Aid etc. purposes need do nothing further unless, for example, there is a change in the charity officials who deal with HMRC. They are already accepted as tax charities. A charity will be a tax charity if they have a reference with HMRC Charities that they quote on their Gift Aid claims. This reference generally begins with an X (for example XN 12345).

3.9 Churches that may now need to register with their charity regulator

Some churches have not registered with the Charity Commission (or OSCR) because they thought that as a place of worship they did not need to. Some churches in England and Wales were, until recently, exempted from registration with the Charity Commission but are now required to register because they have an income of above £100,000. Further detail on the legal requirements to register are given in Stewardship Briefing Note 2015/1, available from [our website](#). HMRC expect churches that fall within this



category to register with their charity regulator as soon as possible, even if they currently receive Gift Aid repayments from HMRC and possess an 'X' reference number.

3.10 Charities registered with their charity regulator but not having an HMRC reference

For an existing church or charity that is not currently recognised as a tax charity, HMRC will backdate tax charity status to the time when the charity first fulfilled all of their requirements. For example, if a church has been registered with the Charity Commission for many years, but has failed to apply for charity status with HMRC (perhaps because they have not made a Gift Aid claim in recent years), they will be able to do so with retrospective effect.

3.11 Gift Aid claim penalties

A Gift Aid claim which incurs a penalty in respect of it will disqualify the charity for the year of penalty and the following year. Any penalty incurred in respect of a Gift Aid Small Donations Scheme Top Up payment will have similar effect.

4 How much can be claimed?

4.1 Amount of the top-up payment

The top-up payment made by the Government under the GASDS is designed to be paid at the same rate, and administered in the same way as Gift Aid, and will be claimed using the same online submission as the Gift Aid claim itself.

Under Gift Aid, if a donor makes a net donation of £1, the charity is entitled to reclaim 25p of Gift Aid relief. This is because the £1 donation is made net of basic rate tax (which is currently at the rate of 20%):

£1 net donation + 25p tax = £1.25 gross donation

20% basic rate tax on £1.25 = 25p

In similar manner, for each £1 of small donation on which a charity can claim a top-up payment under the GASDS, the charity will receive 25p in top-up. This will remain the case as long as the basic rate of income tax remains at 20%. If the basic rate of income tax changes, the rate of the top-up will change accordingly.

4.2 Limitations

There are two factors that serve to limit the amount that can be claimed by a charity under the GASDS:

- The allowance limit
 - Either the basic ('Core') allowance of £8,000 per annum, or
 - The community buildings allowance of £8,000 per annum per building
- The Gift Aid matching principle

For those of you that are already claiming under the Scheme, all these terms will no doubt be familiar. However, there have been some quite significant changes to the way that the community buildings allowances are now applied and the old interaction between the two allowances no longer applies. Charities with more than one community building still have a decision to make, but once made they are setting out on a clearly defined claim route.

In the paragraphs that follow we will explain further each of these aspects, but as with the earlier papers, we will expand on the community buildings aspect of the scheme later in the paper by using a number of different examples to draw out the different aspects.

4.3 The basic allowance

Because there is no longer any interaction between the basic allowance and the community buildings allowance, the basic allowance is the only option available to charities that operate out of less than 2 community buildings (see later). Where charities operate out of two or more community buildings, they can still choose the single allowance option if they consider it to be beneficial.

The basic allowance for small donations (paragraph 3.3) that a charity receives is £8,000 per annum and covers any eligible donations received anywhere in the UK. Therefore, the maximum top up that a charity can receive under the basic allowance is £2,000 each year (£8,000 x 25p in the £).

Small donations can be collected for any purpose of the charity, including as part of a fundraising campaign. The donations received must not be used for anything other than the charitable purposes of the charity.

4.4 The Gift Aid matching principle

To make a claim under the GASDS, the charity will also need to receive Gift Aid donations in the same tax year. The total of eligible donations on which the charity can claim a GASDS top up payment will be restricted to an amount equal to ten times the amount of the net donations on which Gift Aid is claimed for the year.

For this purpose, the Gift Aid donations on which the Gift Aid claim is made must be donations that are received for the same tax year as the year for which the GASDS top up payment is being claimed. This is in contrast to the Gift Aid claims rule (see paragraph 3.11 above).

Example 1

Charity C operates from one community building and made claims under Gift Aid in respect of net donations received, as follows:

<i>Year of Claim:</i>	<i>Amount:</i>	<i>Donations received in:</i>
2017/18	£800	Tax year 2016/17
2017/18	£350	Tax year 2017/18

The charity is fortunate to experience an increase in cash income and, in 2017/18; they receive qualifying small cash donations of £6,000. But they have found it difficult to maintain the amount received under Gift Aid (see above), due to a significant donor moving away from the locality.

As the church operates from a single community building, the only option it has available is to claim the single allowance. Although the charity receives £6,000 in small donations during the 2017/18 tax year the Gift Aid matching principle limits what they can claim under the GASDS. As the claim is limited to ten times the amount of Gift Aid donations actually received in the tax year 2017/18., the maximum claim is £350 x 10 or £3,500 resulting in the charity receiving £875 (£3,500 x 25%) under the scheme. The £800 although claimed in 2017/18 relates to donations received in 2016/17 so can't be included for the purposes of the matching principle.

Example 2

Charity C (Example 1, above) gets a little behind with its Gift Aid claims again, but makes further claims in the subsequent two tax years as follows:

<i>Year of Claim:</i>	<i>Amount:</i>	<i>Donations received in:</i>
2017/18	£350	Tax year 2017/18
2018/19	Nil	
2019/20	Nil	
2019/20	£150	Tax year 2017/18
2020/21	£100	Tax year 2017/18

Charity C will now be able to claim a further top up in 2019/20 in respect of the small donations received in 2017/18, of £1,500 (£150 Gift Aid donations x ten). Of the total small donations of £6,000 in that year, C is able to claim top ups on a total of £5,000 (£3,500 in 2017/18, £1,500 in 2019/20).

But now, they face a problem. A claim for a top up payment must be made within two years of the end of the tax year to which the claim relates. One might think that the claim period is four years, the same as for Gift Aid itself. But this is not the case. This gives the possibility, as in Example 2, that a charity could inadvertently forgo some, or all, of the top up payments to which they would otherwise be entitled, purely because they have allowed themselves to get behind with their Gift Aid claims.

In Example 2, Charity C is quite within its rights to claim, in 2020/21, for £100 of Gift Aid donations made in 2017/18, because to do so is within the Gift Aid time limit of four years. However, they have effectively debarred themselves from claiming an additional top up payment on a further £1,000 of small cash donations (£100 x ten) received in 2017/18 as a result of the delay in claim. This delay will, therefore, cost the Charity £1,000 x 25p = £250.

The potential cost for delays such as this becomes even more extreme if the charity has two or more community buildings and is collecting significant eligible cash donations in each Community Building, such as a church. Charities operating in Community Buildings will have a GASDS limit of £8,000 per

annum for each community building in which they operate. More detail on this is given in Section 5 of this paper.

Where the trustees of a charity fail to claim in time and the amounts become significant, they could be found to be guilty of breach of trust.

4.5 More on the time limit for making a GASDS claim

For charitable companies, the time limit for making a Gift Aid claim runs from the end of the company's financial year. For charitable trusts, it runs from the end of the tax year.

However, **all claims** under the GASDS must be made within two years of the end of the **tax year** in which the donation was collected. This time limit applies regardless of the legal form of the charity.

The implications of this are illustrated in the following two examples.

Example 3: Charitable trust

Charity D is a charitable trust. During the tax year 2017/18, it receives (net) Gift Aid donations of £600 and small cash donations eligible for the GASDS of £5,000.

Although the charity can make their Gift Aid claim as late as 5 April 2022, they will need to have claimed on at least £500, no later than 5 April 2020, to be within the time limit for claiming the top up payment on all of the eligible cash donations.

This is because of a combination of the shorter time limit of claiming the top up payment (two years from the end of the tax year in which the small donations were received) and the matching condition that requires a Gift Aid claim on donations of at least 10% of the amount claimed under the GASDS.

Example 4: charitable company

Charity E is a charitable company. It draws up its accounts to 31 December each year. During the two years ended 31 December 2018, it receives (net) Gift Aid donations and small cash donations eligible for the GASDS as follows:

<i>Donations received (net):</i>	<i>6 April 2017 to 31 Dec 2017</i>	<i>1 Jan to 5 April 2018</i>	<i>6 April 2018 to 31 Dec 2018</i>
<i>Gift Aid</i>	<i>£1,375</i>	<i>£1,125</i>	<i>£1,600</i>
<i>Small Cash Donations (GASDS)</i>	<i>£3,750</i>	<i>£1,250</i>	<i>£3,750</i>

On the face of it, Charity E has no problem in that their Gift Aid donation receipts are well over the 10% matching level to enable all of their small cash donations to qualify for the GASDS. However, on closer examination, they will need to claim at least some of their Gift Aid repayments for 2017/18 somewhat earlier than they may have been used to.

Under the Gift Aid rules, they could claim on gifts of £1,375 as late as 31 December 2021, and on gifts of £2,725 (£1,125 + £1,600) as late as 31 December 2022.

However, for their GASDS claim, they have to consider the tax year, and not their accounting year, in establishing the time limit for their claim. In the tax year 2017/18, they received small cash donations of £5,000. They will, therefore, need to make at least £500 (10% matching rule) of Gift Aid claims in respect of the Gift Aid donations received in either the period 6 April 2017 to 31 December 2017, or in the period 1 January to 5 April 2018, claiming no later than 5 April 2020.

This is therefore 21 months before the Gift Aid time limit for the accounting year ended 31 December 2017 and 2 years and 9 months before the time limit for donations received in the period 1 January to 5 April 2018 (which falls into the accounting year ended 31 December 2018).

4.6 Action Points

➔ Beware: the short time limit for claims!

a) Non company charities:

Make sure that your charity has claimed sufficient Gift Aid relief within two years of the end of the tax year, to cover the cash donations received within that tax year and on which you wish to claim a top up payment under the GASDS.

b) Charitable companies:

If your charity is used to making one annual Gift Aid claim, some time after the end of your accounting year, now is the time to consider making interim claims during the year, so that you know that you have claimed sufficient Gift Aid relief in any one tax year to cover the cash donations received in that tax year. Leaving it to a single claim at some point after the end of the accounting year, perhaps when the treasurer gets round to it, may leave very little time to 'catch up' with the Gift Aid claims. In the Charity E example above, the company has only 15 months after its 31 December year end in which to make sufficient Gift Aid claims for donations received in the earlier tax year.

➔ Maximising Gift Aid capacity

Wherever possible, make a claim to Gift Aid on a donation, in preference to a claim under the GASDS.

A cash donation from a donor who has signed a Gift Aid declaration covering all of their gifts to the charity cannot qualify as a small cash donation (Paragraph 3.4 above). Even so, most charities will want to claim as much as possible under the Gift Aid Scheme, rather than under the GASDS. There are four principal reasons for doing this:

- By pushing as many donations as possible into Gift Aid (which does not have a financial limit on the value of claims), the capacity to claim for small cash donations (for which there is a financial limit) is maximised;

- For charities that ordinarily receive little or no Gift Aid donations, new Gift Aid donations will open up or increase their capacity to claim for small cash donations under the GASDS because of the Gift Aid matching principle.

The matching principle (Paragraph 4.4) requires the charity to have claimed £1 of Gift Aid on donations received in the same tax year, for every £10 of small donations on which a GASDS claim is made. If the charity does not have sufficient Gift Aided donations to cover the whole amount of eligible small donations, a small increase in Gift Aid donations will yield a large increase in the potential GASDS top up payment.

Example: If in a particular tax year, a charity has Gift Aid donations of £200 and eligible small cash donations of £5,500, it can only claim a GASDS top up payment on a maximum of £2,000 ($£200 \times 10$). If it can persuade the donors of £300 of the small cash donations to Gift Aid their donations, the charity will be able to claim a GASDS top up payment of £5,000 ($£500 \times 10$), whilst claiming Gift Aid on £500 ($£200 + £300$).

This small change in the Gift Aid claim will therefore yield the charity £825 of extra income (£3000 of additional small donations + £300 of additional Gift Aid income, both at 25p in the £1), at no cost to the charity at all!

- Obtaining the donor's details as required for the Gift Aid Scheme enables the charity to build a relationship with the donor. Properly and sensitively handled, this can mean converting an otherwise one-off donation into regular donations and increasing the value of regular donations over time.
- Donors who pay income tax at the higher or additional rates of tax can obtain a personal tax refund in respect of their Gift Aid donations. Donations under the GASDS do not qualify for this relief.

5 Community Buildings

5.1 Introduction

This is the section of the rules which has undoubtedly seen the most changes but which as a result has been considerably simplified. For donations received before 6 April 2017, charities that operated out of a community building could make a claim using a combination of the basic or “core” allowance and the community buildings allowance.

Although the basic eligibility criteria of a community building have not changed (see below), the possibilities open to the charity which operates from community buildings has. For donations received after 5 April 2017, there is no longer any interaction between the basic allowance and the community buildings allowance. The important issue now for charities is the number of eligible buildings from which they operate, as the answer to that question will determine which of two available routes they will follow.

First, for any charity with less than 2 community buildings the **maximum** donation allowance is £8,000 per annum of eligible donations in any tax year collected anywhere in the UK. Clear, straightforward and simple.

Second, where charities have more than one community building (see below) the charity now has a choice to make. They can either claim:

- Up to £8,000 per annum of eligible small donations per community building⁴ or if **more**
- A single allowance of £8,000 per annum per charity for eligible small donations collected anywhere in the UK.

As a result of the extended scope of community buildings, now allowing donations made in the same Local Authority Area as the building to be added to donations collected in the building itself, it is hard to see many situations in which a church might be better off opting for the single allowance, but see example contained in our practical guide [insert link].

5.2 What is the significance of a 'community building'?

Where a charity operates from more than one community building the charity is entitled to top-up payments of £8,000 per annum per building⁴. So a charity which operates out of 4 community buildings could claim for donations under the Scheme of up to £32,000 per annum.

⁴ Donations which can be included in a community building now extend to include those donations made anywhere in the same Local Authority Area in which the building resides. In England this will normally be a district council or a London borough; in Wales a county council or county borough council; in Scotland a council constituted under S3 of the Local Government (Scotland) Act 1994; in Northern Ireland a district council constituted under S1 of the Local Government Act (Northern Ireland) 1972

5.3 The community buildings rules: an opportunity

It will now be apparent that a church that has several congregations, each meeting in a different building (whether owned or rented), has the potential to multiply their entitlement to top up payments. The following examples illustrate the **potential** amounts that can be claimed.

5.4 Examples

Assume that both of the following churches meet all of the rules necessary for the buildings that they use to qualify as community buildings. These rules are set out in Paragraphs 5.6ff.

Example: Church F

Church F has 150 members and meets in the one church building, which it owns.

As the church operates from less than 2 community buildings, their only option is to claim the single allowance of £8,000 per annum for eligible donations made anywhere in the UK. The community building rules will have no impact.

Example: Church G

Church G has three congregations of 50 members, each meeting in separate buildings. One congregation meets in the original church building, a second in the local school hall, and the third rents a local cinema for its services.

As they meet in more than one community building, they will be able to claim **potential** top up payments on up to £24,000 of cash donations: £8,000 for each community building.

5.5 What is a community building?

A 'community building' is a building, or part of a building, to which the public or a section of the public have access at some or all of the time.

So, a building which is kept locked other than at the times that Sunday services are held will qualify, provided that the public⁵ have access to it when it is open for public worship. Equally, if a church rents space in a local community centre on a Sunday morning, for the purpose of Christian worship, provided that the public have access to it, the use by the church on a Sunday will mean that the parts of the community centre used exclusively by the church will qualify as a community building.

⁵ It is assumed here that a church would not want to restrict access to a section of the public and, therefore, this aspect is not considered further here. But other charities may have reason to legitimately restrict access. For example, a charity working with disabled individuals may hold charitable activities in a building specifically for disabled persons and their carers. This will not prevent the building from being capable of qualifying as a community building.

5.6 What buildings will not qualify?

In order to reduce the scope for abuse of the Scheme, certain buildings (or parts of a building) are incapable of qualifying as community buildings. These are buildings (or parts of a building) that are used:

Wholly or mainly for:

- residential purposes;
- commercial purposes, including the sale or supply of goods

Unless the charity is using part of the building exclusively to carry out a charitable activity.

5.7 Examples of non qualifying commercial buildings

The following are examples of situations where the use of a commercial building will, in most cases, not qualify as a community building:

- A coffee shop where the group meet in one part and the rest is used by the wider public at the same time.
- A restaurant where a table is booked exclusively for church use, perhaps as part of an outreach event.

In both of the above cases, the buildings are mainly used for the sale or supply of goods to the wider public which thereby disqualifies them.

5.8 Examples of qualifying commercial buildings

Other commercial buildings that are not used wholly or mainly for the sale or supply of goods can, potentially, qualify. The following are examples of situations where exclusive use by the charity will qualify as use of a community building:

- A cinema is rented by the church for Sunday morning services and the cinema operator allows members of the public free access to the screen(s) where church activities take place;
- Rooms hired by the church in a leisure centre, hotel or school that are used solely for church or other charitable activities, and to which the public have free access.

5.9 Separate buildings treated as one building

Where the charity holds a freehold or leasehold interest in land, any buildings on that land, or on any adjoining land, are treated as a single building for the purpose of the Scheme.

Therefore, if a church has a vicarage on the same site, the church building itself will qualify, but the vicarage will not (as it is used wholly or mainly for residential purposes). Equally, if a church has a church building and a church hall on the same site, there will only be one £8,000 community buildings top up allowance, even if small cash donations are generated in both buildings.

However, because the scope of community buildings has been extended to include donations received outside of the building but in the same Local Authority Area (see 5.10 below) it may be that donations received in the hall can still be claimed. See examples later.

5.10 Local Area Authority

For donations received after 5 April 2017, donations no longer have to be collected in the building to be claimed under the community building allowance. Donations that are collected within the same Local Authority Area⁶ as a community building can be added to donations collected within the building itself up to the maximum of £8,000 per annum per building.

If a church has more than one community building in the same Local Authority Area, and it receives donations in that Area (but outside of any building), it can opt which building to add those donations to. In this way the charity can maximise its community buildings allowance. However, donations received inside a community building can only be claimed for that building. Such donations can't be transferred to another community building regardless of its location and regardless of whether other buildings have spare allowance capacity.

Example: Church H

Church H has established congregations of more than 50 people meeting in three locations. Buildings 1 and 2 are in the same Local Authority Area (Area 1) with the building 3 in another Area (Area 2). During the 2017/18 tax year the church collects the following eligible small cash donations either inside the buildings or outside the buildings but inside the areas indicated.

Building 1	Building 2	Building 3	Area 1	Area 2
£5,750	£6,925	£3,500	£4,500	£2,250

Assuming that there is sufficient Gift Aid donations received in the tax year 2017/18, how can the church maximise its GASDS top-up?

As building 1 & 2 are both in Local Authority Area 1, the church can choose which building to add those donations received in Area 1, but outside of any community building. It allocates £2,250 to building 1 and £1,075 to building 2, thereby bringing donations for each building up to the maximum £8,000. The donations received in Area 2 can be added to those received in building 3 bringing the total claim for that building up to £5,750.

However, the remainder of the donations received in Area 1 and not allocated to either building 1 or 2 can't be allocated to building 3 as it is located in another Local Authority Area. Those donations can't be claimed for and are effectively "lost". The maximum claim for church H is therefore £21,750 (Building 1 £8,000; building 2 £8,000 & building 3 £5,750. £1,175 of donations received in Area 1 can't be claimed.

5.11 'Running charitable activities'

A charity 'runs' charitable activities in their community building, for the purposes of the Act, if on 6 or more occasions in the tax year (6 April to 5 April):

⁶ In England this will normally be a district council or a London borough; in Wales a county council or county borough council; in Scotland a council constituted under S3 of the Local Government (Scotland) Act 1994; in Northern Ireland a district council constituted under S1 of the Local Government Act (Northern Ireland) 1972

- It carries out an activity within its charitable purposes with a group of people, at least 10 of whom are beneficiaries of the charity. For more on this, please see the next paragraph;
- The activity or activities are not primarily for the purposes of fundraising;
- The charity makes the activity available to the public or a section⁷ of the public;
- None of the group is required to pay to access the building or the relevant part of it in which the activity is carried out.
- Small cash donations are collected whilst the activity, or activities above, are being carried out in the community building.

5.12 Which people can form 'the group'?

There is no requirement that the group of people, at least 10 of whom are beneficiaries, are the same group of people on each of the six occasions. So, a small church congregation can still qualify, so long as 10 or more people attend on at least 6 occasions in the year. However, only cash donations collected on the days that there are 10 or more people attending will qualify and this may mean, for a small church, that careful records are kept of cash offerings related to the number of people in attendance.

In our view, where the church is much larger and it is self evident that very many more than 10 attend every week, there should be no need to record the number of people attending, solely for the purposes of this Scheme.

5.13 Ticketed events

If a church or charity puts on an event for which those attending purchase a ticket, small cash donations received during the course of the whole event will be disqualified from the Community Buildings Allowance, even if the event includes traditional charitable activities such as Christian worship.

On the other hand, if the same event is put on with free public access, but an offering is taken towards the cost of the event, then provided that all other conditions for the Community Buildings Allowance (Paragraphs 5.12 and 5.13) are met, the small cash donations within the offering will qualify for that allowance.

5.14 Can the limits on each building be shared, or transferred?

The short answer to this is no!

⁷ Although the Act does not use the phrase 'a sufficient section of the public', this can be inferred since it is a requirement if the activity is to be charitable by providing 'public benefit'.

Example:

Church H has three congregations, each meeting in separate buildings. One congregation meets in the original church building, a second in the local school hall and the third rents a local cinema for its services. The amount of Gift Aid claimed by the church means that the Gift Aid matching rule (Paragraph 4.4) is not an issue.

Whilst the congregations that meet in the school hall and the local cinema are thriving, the one that meets in the original church building is very small and, although it has around 40 members attending each week, its eligible small cash donations for the year only amount to £2,000. The eligible small cash donations collected from the other two congregations amount to £9,000 each.

One may be tempted to think that, as the 'community buildings' allowances for the church as a whole total £24,000 (three congregations x £8,000), the church can claim on all £20,000 of small donations collected across those congregations. This is not the case.

Each congregation will need to match its own maximum allowance against the actual qualifying small cash donations (SCDs) collected:

	<i>SCDs Allowance</i>	<i>SCDs collected</i>	<i>Amount of eligible SCDs</i>
<i>Original church building</i>	<i>£8,000</i>	<i>£2,000</i>	<i>£2,000</i>
<i>School Hall</i>	<i>£8,000</i>	<i>£9,000</i>	<i>£8,000</i>
<i>Local cinema</i>	<i>£8,000</i>	<i>£9,000</i>	<i>£8,000</i>
<i>Church as a whole</i>	<i>£24,000</i>	<i>£20,000</i>	<i>£18,000</i>

5.17 The Gift Aid matching rule – interaction with community buildings

It may be tempting to think that where a charity has a community building and it collects small cash donations in that building, that it would also need to collect sufficient Gift Aid donations as a result of the activities within that building, or the group of people that meet there. This is not the case. Provided that the charity has sufficient Gift Aid donations to satisfy the matching test in Paragraph 4.4 to cover all small cash donations then the matching test will be satisfied.

6 FAQs: Practical issues

6.1 How does a charity make a claim for a GASDS top up payment?

Any claim will be made using the same form as that used to make full Gift Aid claims. This will be done by completing a single new online form for both Gift Aid and the GASDS. Template forms are available from the HMRC website.

Where top up payments are claimed in respect of one or more community buildings, you are required to state the total amount of donations that you have collected in each building, together with the address of each building.

6.2 What is the time limit for making a claim?

Whilst it will remain possible to claim for Gift Aid donations up to four years after the end of the year of donation, the claim time limit for the GASDS is different.

All claims for GASDS must be made within two years of the end of the tax year in which the donation was collected.

Unlike for full Gift Aid, where the time limit for charitable companies runs from the end of the company's financial year end, the time limit for GASDS will run from the end of the tax year, regardless of whether or not the charity is a company, CIO or trust.

6.3 How do we know a donation is of £20 or less?

HMRC intend to take a practical approach to this. They will expect the charity to take 'reasonable steps' to find out, which is likely to mean the charity's trustees or leadership not taking a cavalier attitude, but equally not being expected to make enquiries of donors or contributors.

Some examples may help here:

- If the treasurer is handed two £20 notes as a donation, this clearly does not qualify;
- If an offering basket contains five £20 notes that are all rolled up together, it is reasonable to assume that this is a single gift of £100 and not five separate gifts of £20.
- If an offering basket contains five crisp £20 notes and those responsible for counting and recording the offering notice that these notes contain sequential serial numbers, it would be reasonable to assume that they constitute a single gift of £100. That said, there would be no need for counters to routinely check serial numbers on bank notes!
- It would be reasonable to assume that a £50 note in the church offering does not qualify, unless the donor makes it clear to the church that they put £50 in and took £30 or more out in change. Since this is a very unlikely scenario, one would ordinarily assume that a £50 note in the offering will not qualify;
- Other cash donations of £20 or less, that are not given under Gift Aid, as part of a Gift Aid envelope scheme, or are otherwise known to be Gift Aid donations should be capable of qualifying.

HMRC recognises that it is not always obvious to a charity as to whether or not a particular donation may qualify as a small donation. However, they will expect a process to be in place to make sure that staff or volunteers do not deliberately include gifts of more than £20 as small donations. Making relevant staff and volunteers aware of the above examples will go some way to 'training' them to adopt the right approach to recording qualifying donations.

6.4 What about receipts of cash in foreign currency?

Notes and coins in any currency are capable of qualifying provided that the amount is less than £20 equivalent, and is received and banked in the UK.

Once banked, the exchange rate achieved for the foreign currency will be evident.

In practice, it will not be worth most charities banking small amounts of foreign currency – which will effectively disqualify the donation from the Scheme. An example of one possible exception to this will be cathedrals that attract a volume of overseas visitors and have offering boxes for those visitors to use.

6.5 What records do we need to keep?

You must keep a record of the date that the cash was collected. This will need to distinguish cash collected in a community building and that collected elsewhere. Where cash is collected in one or more community buildings, the address of the building(s) will need to be recorded, as will the date, and a note of each event at which the cash was collected. You will need to be able to show separate totals for the amount of cash donations collected in each building (See paragraph 6.1, above).

Where the number of people attending is sufficiently close to 10 persons, the exact attendance should be recorded. Where the number of people attending is well above 10, it will be sufficient to state that the number is, for example, “ more than 20” or “approximately 100”.

It should be possible to easily trace the records of the cash collected through to the charity’s bank statements and accounting records.

The Appendix 4 to our Briefing Paper ‘Gift Aid Small Donations Scheme: A Practical Guide’ provides an Offering Record Template that can be used for this purpose.

6.6 Can a small cash donor receive limited benefits for their donation?

No benefit should be provided to a donor, or a person connected to the donor, if a small cash donation is to qualify. On this, see the conditions set out in Paragraph 3.3 above.

6.7 What happens if we get it wrong?

Charities that run their affairs in an honest and diligent way should not worry about getting anything wrong. Provided that you have taken the time to understand what should and shouldn’t be claimed and already have good accounting records, mistakes should be rare.

If you do over claim by mistake and the mistake is discovered, you can, within 12 months, amend your claim by showing the excess on your next claim form.

If you have claimed too little, you can claim the additional amount at any time within the usual two year time limit (Paragraph 6.2 above) on a subsequent claim form.

HMRC have powers to impose civil penalties and prosecute for criminal offences. However, these powers will be reserved for wilful abuse of the Scheme, for example, for fraudulent claims, failure to provide information or for the provision of false or misleading information.

7 Special circumstances

The following special circumstances are beyond the scope of this Briefing Paper, but are mentioned here for completeness. If these circumstances apply to your charity, you should seek further help and advice (for which, see Section 8).

7.1 Connected Charities

The Act contains provisions to prevent charities being artificially fragmented into a number of 'different' charities in order to gain access to multiple GASDS allowances.

The connected charities rules are complex and are deliberately not explained in detail above. Suffice it to say that if two or more local charities share similar trustees, but are otherwise independent of each other and, in particular, if they are engaged in activities that are not the same or substantially similar to each other, they are not likely to be regarded as 'connected' for the purposes of the Act.

These rules are explained a little more in Appendix 2.

7.2 Church planting

Because of the 'connected charities' rules above, it is quite possible that two local churches with a majority of the same individuals as trustees and the same structure and purposes, etc., will be regarded as 'connected' for the purposes of the GASDS.

8 Further help

8.1 From Stewardship

Any questions arising from this Briefing Paper should be addressed to Kevin Russell, Technical Director at Stewardship (kevin.russell@stewardship.org.uk).

For more detailed help and advice, Stewardship runs a Consultancy Helpline service. Details can be found by visiting www.stewardship.org.uk/support-services/consultancy:-employers.

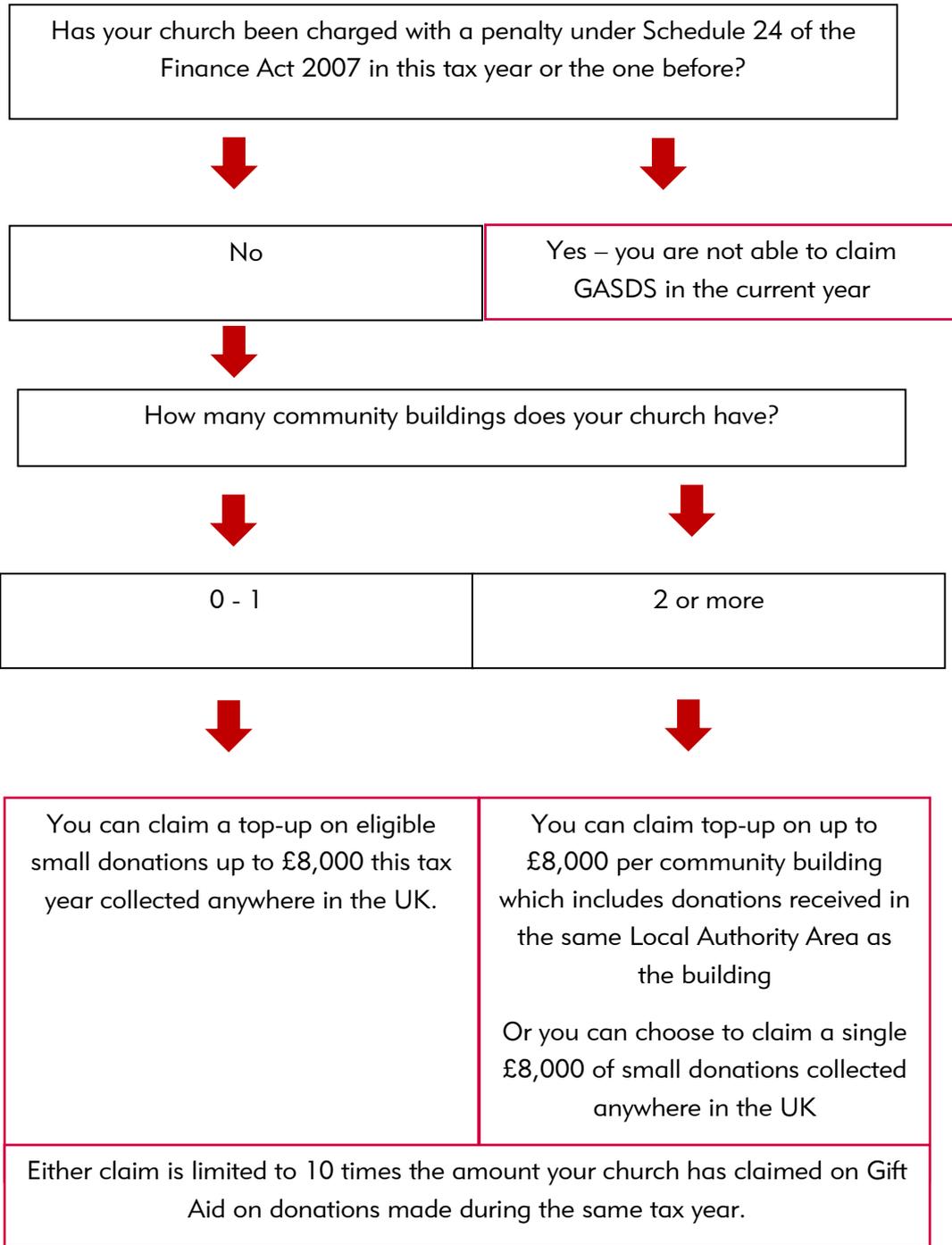
Stewardship may be able to help you with your charity registration process. Please see www.stewardship.org.uk/support-services/charity-formation, or speak with Stephen Mathews.

8.2 From HMRC

HMRC have published their own Guidance.

<https://www.gov.uk/government/publications/charities-detailed-guidance-notes/chapter-8-the-gift-aid-small-donations-scheme>

Appendix 1: Unconnected church GASDS decision flow chart



Appendix 2: connected charities and GASDS decision flow chart

If a church is connected to another charity this will affect the amount of GASDS top-up that your church can claim. In this sense connected means that at any time during the tax year:

- The same person (or connected persons⁶) has control over those charities; and
- The charities have the same or very similar purpose.

Charities are generally connected where one or more of the following situations applies:

- One charity is controlled by another;
- Two or more charities are under common control;
- Control links a group of charities together.

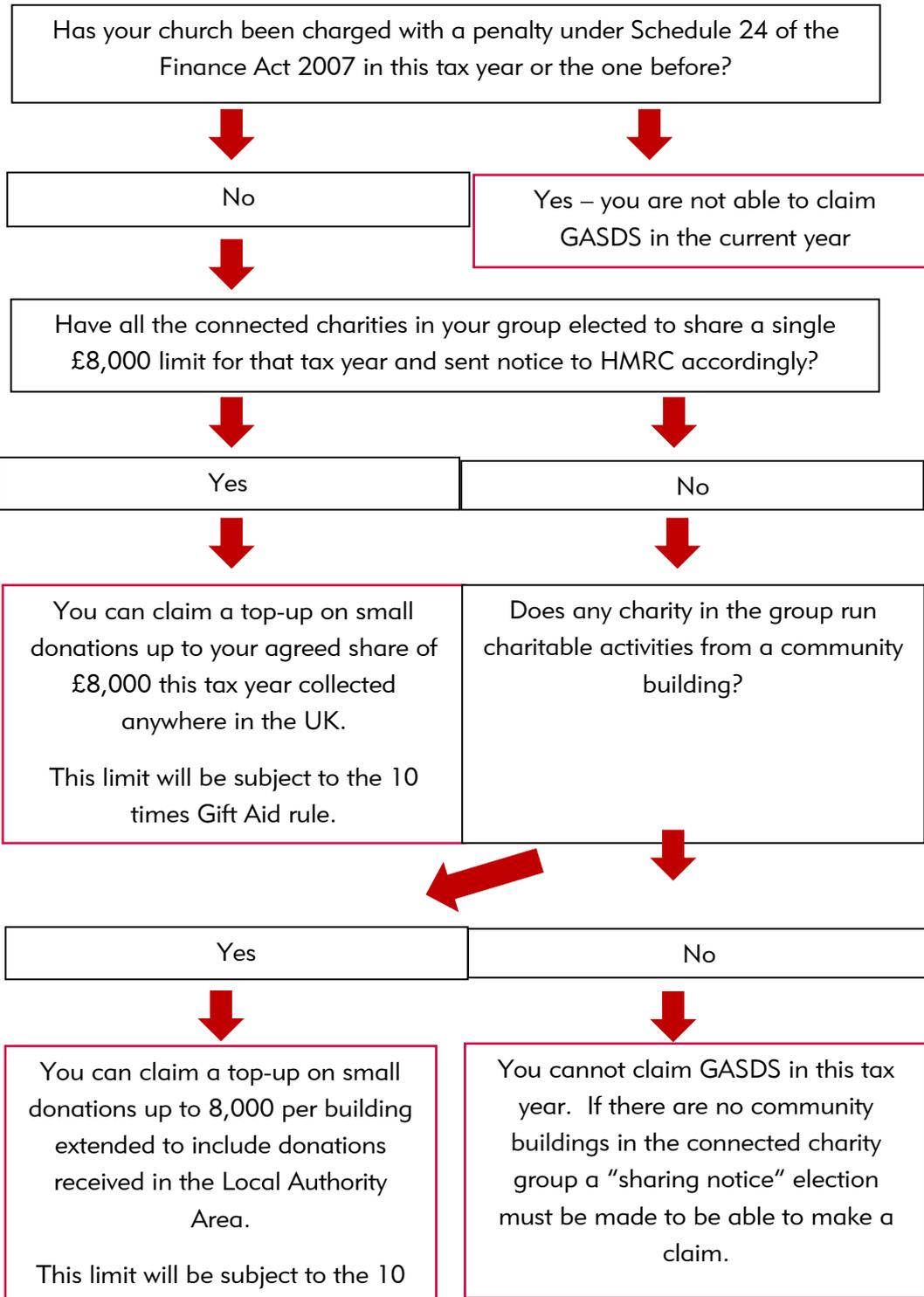
However, just because charities are connected, for that connection to impact a GASDS claim the charities must also have the same or substantially similar purposes and activities. From a church perspective this does not mean that if both charities have the advancement of the Christian faith as their charitable purpose they are necessarily connected for GASDS. If those two charities undertake substantially different activities in reaching that goal no GASDS connection exists.

For example, a church which runs community projects in their town as separate individual charities may be connected in the sense that the same people are trustees of a number of them; they may share the same purpose of advancing the Christian faith; but because the community activities undertaken by each are substantially different they may not be connected for GASDS purposes.

Where two or more charities are connected and neither runs charitable activities in a community building, they must elect to share a single £8,000 limit between them. In this situation, the community buildings option is not available.

Where at least one of the connected charities runs charitable activities in a community building, then it would normally claim under the community buildings rules, claiming up to £8,000 for donations received in each community building or surrounding Local Authority Area.

In effect, the connected charities are treated as if they are a single charity and the GASDS rules are applied to them as if that were the case. So in the rare event that the connected group of charities would be better off making use of a single allowance of £8,000 shared between them rather than following the community buildings option they can elect to go this route by giving the appropriate notice to HMRC.



Appendix 3: Worked examples

Note: All examples assume a basic income tax rate of 20% and that churches have not been subject to a penalty under Schedule 24 of the Finance Act 2007 in this tax year or the one before.

Example 1 - scenario

Church A holds all of its services and other meetings in a building which it owns. During the tax year 2017/18 it received £7,500 in cash offerings. The church is aware that included in the £7,500:

- One person made a gift of £100, with 5 x £20 folded together;
- 10 x £50 notes have been collected;
- A gift of £500 could be identified to a donor for whom the church has a Gift Aid declaration in place;
- The church has used £20 per week from the offering to directly reimburse expenditure on flowers. This money has not been paid into a UK bank account.

In addition, the church receives donations eligible for Gift Aid for £20,000 in the same tax year, although it does not submit a Gift Aid claim until late April 2018, after the 2017/18 tax year has concluded. How much GASDS repayment top-up can church A claim?

Calculation process

Step 1: HMRC registration

The church is already recognised by HMRC as a tax charity.

Step 2: Number of community buildings

The church has only 1 community building and as such its claim is limited to a maximum of £8,000 on donations collected anywhere in the UK.

Step 3 Eligibility of donations

Of the £7,500 received, the following items must be excluded.

- The obvious gift of £100 – total amount excluded £100;
- The 10 x £50 notes as these can't represent a gift of £20 or less – total amount excluded £500;
- The £500 gift traced to a known donor as this should be claimed under the valid Gift Aid declaration which remains in force – total amount excluded £500;
- The £20 per week used to pay for the flowers as this has not been banked and therefore is not eligible to be included⁸ - total amount excluded £1,040.

Step 4: calculation

The excluded amounts are therefore £100 + £500 + £500 + £1,040 meaning that £2,140 of the £7,500 can't be included in a GASDS claim; removing these items results in eligible cash donations of £5,360 (£7,500 - £2,140).

⁸ There may be some weeks where you could legitimately say that the £50 donation has been used to purchase the flowers – excellent records will be required to demonstrate that this is the case.

Step 5: the matching principle

There is no further restriction due to the amount of Gift Aid claimed as this is based on donations received during the 2017/18 tax year totalling £20,000, far in excess of the minimum £536 of donation required ($£536 \times 10 = £5,360$) to claim the GASDS in full.

It makes no difference that the Gift Aid claim is not made until the following tax year and so the top up repayment for church A under the GASDS is $£5,360 \times 0.25 = £1,340$.

Step 6: Time limits and claim

All claims under GASDS must be made within two years of the end of the tax year in which the donation was collected. For donations received during the 2017/18 tax year, the deadline for a claim is 5 April 2020.

Example 2 - scenario

Church B has two congregations (each numbering around 100 people) meeting in different venues in the town. The church encourages its congregation to make donations to Stewardship so that it does not have to handle the Gift Aid administration. Cash offerings in building 1 amounted to £1,250 for the tax year 2017/18 and £2,200 in building 2. All cash offerings are banked and the church is not aware of any ineligible gifts within the cash received.

Step 1: HMRC registration

The church is already recognised by HMRC as a tax charity.

Step 2: Number of community buildings

The church operates out of 2 community building and as such has to choose which route it wants to take, either the single allowance of £8,000 per annum for donations received anywhere in the UK, or £8,000 per community building. Given the amounts in question, either option will bring all of the donations into play for GASDS, but it is more likely that the church will choose the community building route.

Step 3 Eligibility of donations

All donations meet the eligibility requirements.

Step 4: the matching principle

As the church does not make any Gift Aid claims, it will fall foul of the matching principle and so can't make a GASDS claim at all.

However, whilst the church could continue to benefit from Stewardship's Gift Aid administration, it could arrange for a small number of donors (likely to only need 1 or 2) to make donations directly to the church totalling £345 ($(£1,250 + £2,200) / 10$) thereby enabling a GASDS claim of £862.50 ($£3,450 \times 0.25$) to be made.

Comprehensive example

Scenario

Church N has been in existence for ten years and has been registered with HMRC as a tax charity making regular quarterly Gift Aid claims for six years. They are formed as a company which has a 31 December year end. The church meets in four locations. Its primary location is a building that it owns outright and uses for its larger family service gatherings supported by evening meetings in the adjacent church hall, and it has two local congregational plants in the town.

The first of these plants rents a school hall in a different Local Authority Area from the church and is well established with an average congregation of around sixty attending each week. The second is a newer plant which meets on a monthly basis in a local café in the same Local Authority Area as the church. Attendances at the café congregation vary sometimes as low as eight to ten people, at other times as high as twenty to thirty. This plant started in September 2016, meeting on the last Sunday of the month.

During the period between 1 Jan 2017 and 31 March 2018 the church claimed Gift Aid as follows on donations received in each quarter as follows:

3 months to 31 March 2017:	£725 claimed on net gifts of £2,900
3 months to 30 June 2017:	£645 claimed on net gifts of £2,580
3 months to 30 September 2017:	£983 claimed on net gifts of £3,932
3 months to 31 December 2017:	£441 claimed on net gifts of £1,764
3 months to 31 March 2018:	£266 claimed on net gifts of £1,064

The amounts claimed under Gift Aid are made up of donations by cheque, by bankers' standing order and cash gifts made using the church's Gift Aid envelope offering scheme.

During that same period, the church also received the following cash donations, all in UK denominated notes and coins of £20 or less:

Period	Main building	Church hall	School	Café
3 months to 31 March 2017	£1,536	£126	£189	£62
3 months to 30 June 2017	£1,849	£245	£238	£87
3 months to 30 September 2017	£2,236	£97	£177	£58
3 months to 31 December 2017	£2,424	£215	£345	£65
3 months to 31 March 2018	£2,199	£147	£296	£40

Of the amount donated in the school, £100 per quarter is used to reimburse someone for buying refreshments. This money is taken directly out of the offerings before they are banked. All other donations are banked in full into a UK financial institution.

The church seeks to maximise the amount of top-up repayment that it can claim under the GASDS.

Calculation process

Step 1: HMRC registration

The church is already recognised by HMRC as a tax charity.

Step 2: Eligibility of donations

- All the donated cash is received from individuals and in the UK, in UK denominated notes and coins of £20 or less with no obvious donations exceeding the £20 limit. However;
- Some money from the meetings at the school is never banked (being used to reimburse expenses) and as such must be excluded from any claim. This excluded amount is £100 per quarter or £400 for the tax year in total.

Step 3: calculation

1. The church meets in 2 or more community buildings and so has to make a decision on which route to follow. Although the café is highly unlikely to be a community building in its own right (see below), the donations received in it may be able to be added to one of the community buildings which the church operates from so long as these buildings are located in the same Local Authority Area as the café.
2. Because the main building and the church hall are on the same premises, they are treated as a single building for the purposes of the Scheme.
3. The school qualifies as a community building, passing the necessary criteria. However;
4. The café is unlikely to qualify as a community building;
 - a. First, because its primary function is commercial and that use involves the sale or supply of goods; and
 - b. Second, because the number of meetings held, and the number of people attending those meetings may not be sufficient to meet the necessary minimum requirements.
 - c. The congregation do not have exclusive use of the café for their meetings.

For churches where it is unclear whether the minimum meeting requirements are met, a log should be maintained of the number of attendees and the amount of cash donated at each meeting (the pro forma offering record sheet contained in Appendix 4 can be used for this purpose). Remember, any cash donated at a meeting that does not have the minimum ten people attending must be excluded from the calculation.

The maximum potential claim for church N under the Scheme is therefore the greater of £8,000 donated anywhere in the UK, or £8,000 per community building (this church operates from two, the church and church hall combined and the school). Given that no donations were received from outside the Local Authority Area, the community building option will provide the best outcome within the following limitations:



- £8,000 for donations received in the main building and the church hall combined plus donations received outside of the building but within the same Local Authority Area.
- £8,000 for donations received in the school plus donations received outside of the building but within the same Local Authority Area.
- Nothing specifically for the meetings held in the café. However because the cafe is situated in the same Local Authority Area as the church, donations can be added to those received in the church (combined church and church hall) up to a maximum of £8,000 per tax year.

This makes a total potential claim of £16,000.

1. As the café is not a community building in its own right, donations received there can only be claimed if they can be added to a community building in the same Local Authority Area and if there is sufficient capacity. Because the school is situated in a different Local Authority Area to the café, donations received in the café can't be added to that even though there may be capacity. For the tax year 2017/18, donations received in the café amounted to £250.
2. Donations received in the main church building and church hall combined during the tax year 2017/18 were £9,412. As this exceeds the maximum amount per community building, this part of the claim is restricted to the maximum of £8,000.
3. As there is no remaining capacity for the church and church hall, the donations received in the café although situated in the same Local Authority Areas can't be added to it.
4. Donations received at meetings in the school amounted to £1,056, well inside the £8,000 limit. However, £400 of this amount was never banked into a UK financial institution and as such the total claim for that building is limited to £656.

Although it would be nice to 'transfer' the excess cash donations collected from the main building to the school so as to utilise the unused allowance from donations collected at the school, this is not permitted by the scheme. Similarly because the café is in a different Local Authority Area to the school, the donations collected in the café can't be added to those received in the school.

So the total cash which (subject to the matching principle) can be claimed for the tax year 2017/18 is £8,000 from the church building plus £656 from the meetings in the school = £8,656.

Step 5: the matching principle

The matching principle means that in order to be able to reclaim the top-up in full, Gift Aid donations received in the same tax year must be at least one tenth of the claim under GASDS. The maximum GASDS claim calculated in step 4 is £8,656 so, in order to claim the whole amount, net gifts on which Gift Aid has been claimed must be at least £866.

With net gifts made during the 2017/18 tax year of £9,340, the matching principle will not restrict the claim.

Step 6: Time limits and claim

All claims under the GASDS must be made within two years of the end of the tax year in which the donation was collected. This is the case regardless of the way that the church is constituted. In this case that means that money donated up to 5 April 2018 can only be reclaimed until 5 April 2020.

This is so even though the donations that form this claim will be included in the church's accounts drawn up for the year ended 31 December 2017, and for the year ended 31 December 2018.

Appendix 4: connected charities in more detail

If a church is connected to another charity this will affect the amount of GASDS top-up that your church can claim. In this sense connected means that at any time during the tax year:

- The same person (or connected persons⁹) has control over those charities; **and**
- The charities have the same or very similar purpose

Charities are generally connected where one or more of the following situations applies:

- One charity is controlled by another;
- Two or more charities are under common control;
- Control links a group of charities together

However, just because charities are connected, for that connection to impact a GASDS claim the charities must also have the same or substantially similar purposes and activities. From a church perspective this does not mean simply that if both charities have the advancement of the Christian faith as their charitable purpose then their purpose is the same. If those two charities undertake different activities in reaching that goal no GASDS connection exists.

For example, a church which runs community projects in their town as separate individual charities may be connected in the sense that the same people are trustees of a number of them; they may share the same purpose of advancing the Christian faith; but because the community activities undertaken by each are substantially different they may not be connected for GASDS purposes.

Where two or more charities are connected and neither runs charitable activities in a community building, they must share a single £8,000 limit between them. In this situation, the community buildings option is not available.

Where at least one of the connected charities runs charitable activities in a community building, then it would normally claim under the community buildings rules, claiming up to £8,000 for donations received in each community building or surrounding Local Authority Area.

In effect, the connected charities are treated as if they are a single charity and the GASDS rules are applied to them as if that were the case. So in the rare event that the connected group of charities would be better off making use of a single allowance of £8,000 shared between them rather than following the community buildings option they can elect to go this route by giving the appropriate notice to HMRC.

⁹ As defined in S993, Income Tax Act 2007