

Gift Aid Small Donations Scheme: a practical guide (second edition)

Updated Sept 2015



Stewardship Briefing Paper

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Gift Aid Small Donations Scheme

Budget Update 2015

In the Budget of March 2015, the Government announced that the limit on the total amount of cash donations that can qualify under the Gift Aid Small Donations Scheme is to be increased from £5,000 to £8,000 with effect from April 2016.

We have confirmed with HM Treasury that the increase will apply separately to **both** the 'core' limit and the amount of cash collected in a 'community building'.

The top up payments under the Scheme will therefore increase from £1,250 (£5,000 x 25%) to £2,000 (£8,000 x 25%).

Charities that have (say) two community buildings will be able to claim on cash donations totalling a maximum of £24,000: £8,000 on donations collected outside of either community building, plus £8,000 on cash collected in each of the two community buildings. Top up payments from HMRC will therefore potentially total £6,000 (3 x £2,000).

Further details on how the Scheme works can be found in this and our companion



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1 Introduction

Most churches and charities will understand and be part of the existing Gift Aid programme using it to claim back Gift Aid where appropriate. However, and relevant for churches in particular, it has so far not been possible to claim Gift Aid on loose cash offerings which cannot be traced to a specific individual, or a completed, valid Gift Aid declaration form.

The Gift Aid Small Donation Scheme (GASDS) is a new scheme commencing in April 2013 designed to address this situation. It will (subject to certain conditions) allow for a Gift Aid style top-up payment to be paid to charities on small cash donations received by them. Although not Gift Aid, for most practical purposes the characteristics of GASDS are such that it looks and feels much like it.

This is designed to be a practical guide written predominantly with churches in mind, explaining the main rules and covering the types of circumstances that most churches and charities operate in. A more comprehensive guide is available at www.stewardship.org.uk/smallcharitabledonations.pdf and we would ask you to reference this paper for a more comprehensive review of the scheme and where more detail is required than is provided in this guide.

1.1 Key points to be aware of

The central idea behind the scheme is quite straightforward, and for most churches making a successful claim will not prove too difficult. However, there are certain key points that must be adhered to so that claims remain valid and can be processed efficiently. These are:

- The eligibility of the receiving charity (see section 2)
- The eligibility of the donation (see section 3)
- How much can be claimed (see section 4)
- The matching principle (see section 4.1)
- Community buildings (see section 4.2)
- Record keeping (see section 5)
- Time limits (see section 6)
- Claims process (see section 7)

Each of these areas is covered below, with a flow chart provided in appendix 1 and a simple case study at appendix 2 with a more comprehensive example provided in appendix 3.

1.2 The basic scheme

From 6 April 2013, charities will be able to claim a payment equivalent to gift aid on cash donations of £20 or less (subject to an overall limit per charity) without the need for the donor to complete any

paperwork, or the requirement for the donor to be a taxpayer. This is good news for churches, meaning that most will be able to claim up to an additional £1,250 from HMRC without the need for much additional work, relying largely on paperwork that will already be in place.

Claims will be limited to a 'core' of £5,000 per charity per annum, resulting in a maximum top-up payment of £1,250 (£5,000 x 25%) which can be received by the charity each year. In certain cases where charities operate from community buildings (see section 4.2) this limit may be added to. However, the matching principle (see section 4.1) may in some cases restrict what may be claimed, but this will most likely apply only to small churches.

GASDS Claims will be made alongside Gift Aid claims using the Charities Online template provided by HMRC. An individual donation can only be eligible for one type of claim. It is either eligible under Gift Aid or the GASDS but not both.

Action point

Because limits apply for the GASDS and because of the matching principle (see later), it is sensible that wherever possible churches include cash donations within the Gift Aid claim (using numbered envelopes or other schemes to identify donors as required), rather than relying on using the GASDS.

The benefit of encouraging donors to give under the Gift Aid scheme can be clearly seen in the following example.

Church A receives £5,500 in a tax year in cash donations, none of which are given under the Gift Aid scheme. The church is unable to claim either under Gift Aid, or the GASDS as they fall foul of the matching principle.

However, in the event that the church contacts some of its donors who agree to make Gift Aid declarations to cover donations already given in that tax year, the church has now received Gift aid donations of £500 and small cash donations of £5,000. Although the total amount received by the church is the same, the church can now make claims on all of its donations; £500 under the Gift Aid scheme, and £5,000 under the GASDS because the matching principle (see section 4.1) allows for a GASDS claim of 10 times that of the Gift Aid claim in the same tax year.

2 Eligibility: the charity

There are two conditions that charities must meet to qualify for the scheme. In any particular tax year (between 6 April to the following 5 April), the charity must;

- Have been registered as a tax charity by HMRC for at least two years (see below); and
- Have made a successful Gift Aid claim in at least two of the past four years (see below)

2.1 Qualifying as a tax charity

Recognition by HMRC as a charity for tax purposes, involves a separate verification process from registration with the Charities Commission. More detail can be found in our [Stewardship Briefing Note 2012/3](#), available from our website, and by reference to the [HMRC Application Form ChA1](#) and the associated [Guidance Notes](#).

Churches that are already making and receiving Gift Aid claims will be registered as a charity for tax purposes.

Action point

If your church or charity does not make or receive Gift Aid claims, then you should investigate whether you are indeed registered with HMRC at all. If not, registration is essential should you wish to make GASDS claims and probably advisable even if this is not the case.

The good news is that the HMRC will backdate 'tax charity' status to the time that the charity first fulfilled all of their requirements. Whilst you cannot apply to HMRC for recognition until you have registered with the Charities Commission, HMRC should be prepared to backdate tax charity status to the formation of the charity so long as nothing has changed between formation and registration. So for established churches not yet registered with HMRC, the two year condition may be met straight away.

2.2 Recent Gift Aid claims

For most churches meeting this second condition will not be an issue as Gift Aid claims are likely to be made on a regular basis (monthly, quarterly or annually). However, care should be taken when Gift Aid claims are made infrequently because to remain eligible for the GASDS not only must claims have been made in two of the last four tax years, but they must also have been made at least every other year.

Action point



Once registered, it is important that churches go on to make regular Gift Aid claims (even in cases where the claim might be small) at least every other year so that this second eligibility condition continues to be met and claims under the GASDS can be submitted.

3 Eligibility: the donation

The donation must be:

- Made by an individual;
- Made in cash¹ 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 UK by, or on behalf of, the charity;
- Deposited in a UK bank or financial institution;
- Used for charitable purposes.

To qualify, the gift must be one for which no Gift Aid declaration has been received, regardless of whether any claim is made or not. For loose cash offerings this is unlikely to be a problem as it will probably not be possible to identify the donor and, gifts will, as a result, remain anonymous.



Action points

1. Offering sheets should be completed for each location where the church meets, clearly recording non Gift Aided cash donations (see appendix 4). These sheets should be retained to support claims made.
2. All cash donations received should be banked intact with a UK financial institution before any expenses are paid out. Expenses should be settled subsequently from the church's accounts.

¹ Cash refers only to notes and coins and specifically excludes cheques.



4 How much can be claimed?

The basic calculations for GASDS claims work in the same way as for Gift Aid. For each £1 of eligible cash donation, the charity will be able to claim a top-up of 25p from HMRC (whilst current income tax rates prevail).

Other than the amount of donations themselves, there are three factors which work together to determine the size of claim that can be made.

- The core allowance of £5,000 p.a. (worth £1,250 to a church in top-up payments). For churches, the core allowance can cover small cash donations collected anywhere, including in the charity's buildings, if the activities in the building, taken as a whole, do not qualify it for the community buildings allowance (see 4.2 below).
- The Gift Aid matching principle (see 4.1 below).
- The use of 'community buildings' (see 4.2 below)

4.1 Matching principle

To make a claim under the GASDS, a charity will also have to make a valid Gift Aid claim for the same tax year (year to 6 April). The claim for GASDS is limited to an amount ten times that of the net donations on which Gift Aid is claimed. So a net gift of only £200 for the year, on which Gift Aid is claimed, will restrict the GASDS claim to £2,000 (worth £500 at current tax rates – basic rate 20%).

For most churches that operate a Gift Aid programme, this restriction will never become an issue. However, be aware of the time limits for making a claim (see section 5) as the rules for Gift Aid and GASDS are different.

4.2 Community buildings

Charities that operate out of one or more community buildings may be able to claim additional top-up payments (in excess of the core) on gifts of up to £5,000 per building per annum assuming that the relevant conditions are met (see below). A community building is one to which the public (or a section of the public) have access at some or all of the time. Most churches will operate from at least one community building, with many churches operating from more than one. The church does not need to own a building for it to qualify; rented space is also eligible.

Certain buildings, those which are primarily used for residential or commercial purposes, are specifically excluded from being community buildings. However, in certain cases where the charity has exclusive use of a commercial building or a part of it, they will still qualify. For more detail on this, please refer to Section 5 of our comprehensive Gift Aid Small Donations Scheme Briefing Paper (stewardship.org.uk/smallcharitabledonations.pdf).

So, for example, cash donations can be included in a GASDS claim where they are received from meetings held in schools, or where cinemas or hotel rooms are rented, and the charity has exclusive use of the building or part of it, because these buildings will qualify as community buildings. Conversely, cash donations received during meetings held in private homes, or in cafes cannot be included. This is because residential premises and those used primarily for the sale of goods cannot qualify as community buildings.

Where a church holds a freehold or leasehold interest in land on which more than one building is erected, most typically a church hall next to another church building, all buildings will be treated as if they are one, and one community building limit will cover them all.

4.2.1 Relevant conditions

Once the basic requirement for community buildings is satisfied, there are further relevant conditions that have to be met. The most significant of which is that the cash donations must be collected whilst a charitable activity (e.g. the church service) is being carried out. So a donation from someone returning to the building after the service is completed to place cash in an offering cannot be included in a community buildings GASDS claim (although it may qualify as part of the charity's 'core' limit).

Other conditions may apply for very small or infrequent church meetings or for unusual events such as ticketed performances. For full details on these conditions, please refer to section 5 of our more comprehensive paper on the topic at stewardship.org.uk/smallcharitablecontributions.pdf.

Community building limits operate on a building by building basis and cannot be shared. So cash donations above the limit received in one building cannot be transferred to another building where donations there leave some unused capacity.

4.3 Interaction of the core allowance and the community buildings allowance

Many of the questions that we have fielded at Stewardship, particularly from churches, concern the interaction between the core allowance and the community buildings allowance. For example, for a church operating from a single location is the total annual potential SDS allowance £5,000, £10,000 or something else.

The appropriate opening question for churches is to determine whether a cash donation qualifies for the community building allowance. If so, it cannot qualify for the core allowance. Put in another way, the core allowance is available to cover small cash donations collected in the building provided that either:

- The building does not qualify as a community building, or



- The donations are not collected during the charitable activities carried on in a qualifying community building.

For churches operating from a single location with donations received as part of its normal Sunday church services, the maximum potential claim will be £5,000, representing the community building allowance for the church building.

To see more on the interaction between these two allowances, please see Appendix 1 of our briefing paper *Gift Aid Small Donations Scheme: a comprehensive guide (second edition)* available at stewardship.org.uk/smallcharitabledonations.pdf.

5 Record keeping

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 a community building, the address of the building will need to be recorded, as will the date and a note of the event at which the cash was collected.

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.

Appendix 4 provides an Offering Record Template that can be used for this purpose.



6 Time limit

All claims under GASDS must be made within two years of the end of the tax year in which the donation was collected. Remember that it is the tax year that counts, and not your accounting year end (where this is different). Money donated in the year to 5 April 2014 can only be claimed on up until 5 April 2016.

Action point

Waiting for the church's financial year to be completed and signed off may mean that there is little time to complete the GASDS claim. Completing an interim Gift Aid claim including a GASDS top up will help to ease the pressure at the end of the year.

7 Claims process

GASDS will be claimed as part of a church or charity's Gift Aid claim. For most churches and charities this is soon to be via Charities Online, making use of a template to record individual gifts and donations. For more information visit stewardship.org.uk/charitiesonline.pdf to view our briefing note *Charities online: A guide to Gift Aid claims from April 2013*.

Where the template is used, eligible small donations will be included on a separate line from Gift Aid donations. Where a claim relates to a community building, each building must be entered separately giving both the address of the building and the amount collected within it.



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.

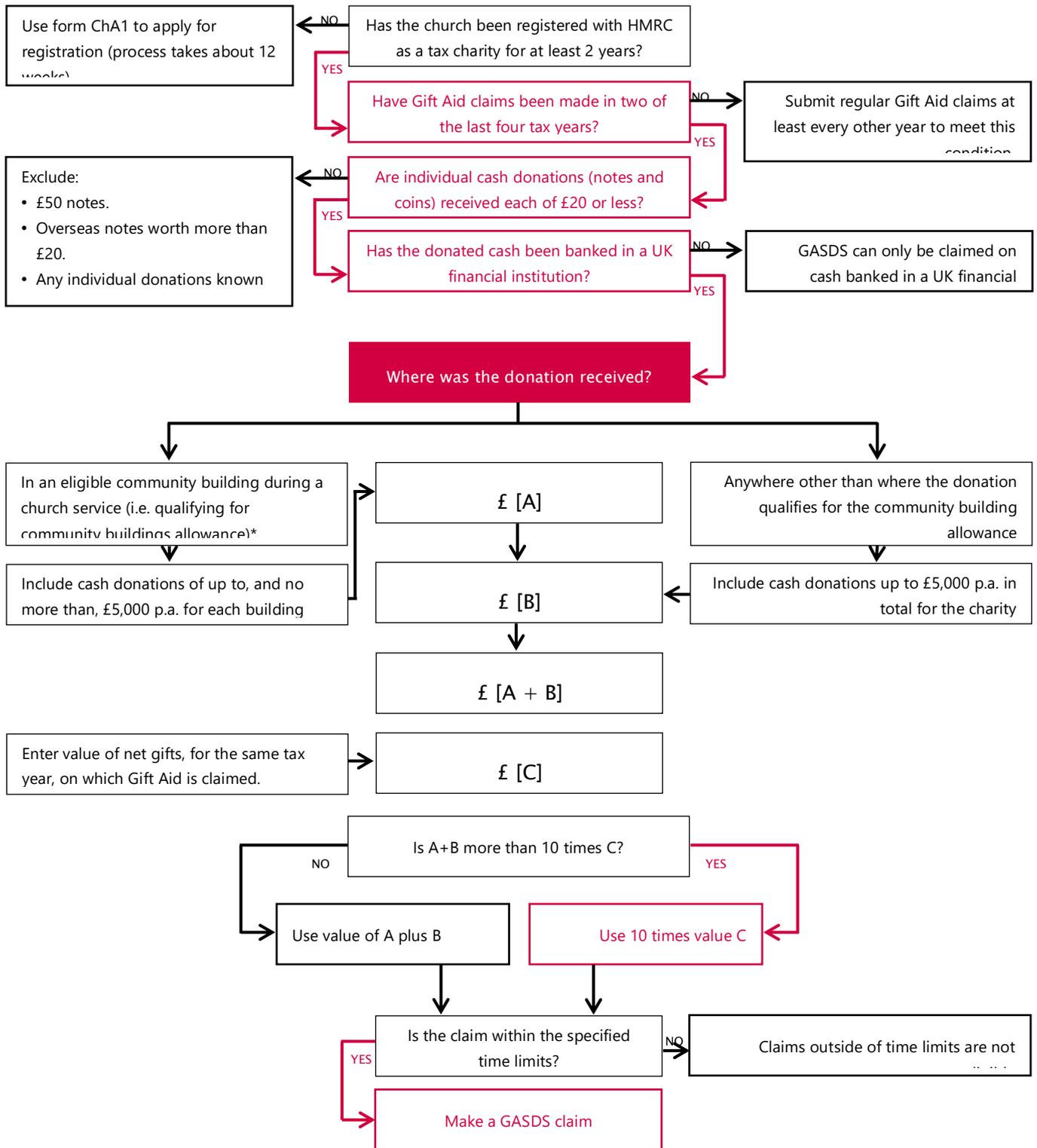
Stewardship may be able to help you with your charity registration process. Please see www.stewardship.org.uk/support-services/charity-formation, or speak with Stephen Mathews.

8.2 From HMRC

HMRC intend to publish their own Guidance on the Act and supporting regulations. Reference will be made to this Guidance in a subsequent edition of this Briefing Paper.

Appendix 1:

GASDS decision tree



*Or other charitable activity



Appendix 2:

Simple example

Scenario

Church M is an established church constituted under trust (meaning a year end of 5 April, the same as the tax year end) which has made annual Gift Aid claims for the last five years. It meets in its own building with a regular congregation of about seventy people.

Annual net gifts claimed under Gift Aid amount to approximately £2,000 p.a. and loose cash in the offering collected during the service for year ended 5 April 2014 was £2,171 in notes and coins, including four £50 notes. No cash gifts were received other than in the church services and all offerings are banked each week into a UK bank.

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, and has been for at least two years.

Step 2: Recent Gift Aid claims record

The church has made regular Gift Aid claims during its period of registration and therefore meets the requirement to have made at least two Gift Aid claims in the past four tax years and at least one every other year.

Step 3: Eligibility of donations

All the donated cash (notes and coins) is received in the in UK in UK denominated notes and coins and is banked into a UK financial institution, but as there are 4 £50 notes (exceeding the maximum of £20), these cannot be included.

Step 4: calculation

1. The charity has a 'core' limit of £5,000.
2. The church building qualifies as a community building and therefore all cash donations collected during the services (except the £50 notes) can be included in a claim.

The maximum potential claim under the scheme is therefore;

- £5,000 as the core limit.
- £5,000 for donations received during the services in the church's community building.

This makes a total maximum claim of £10,000.

1. As no money is collected outside of the church services, none of the £5,000 core limit can be used.
2. Donations received in the church building during the church services amount to £2,171. This is below the limit of £5,000 but must be reduced by £200 to exclude the four £50 notes.

The total claim is therefore £2,171 less £200 = £1,971.

Step 5: the matching principle

The matching principle means that in order to be able to reclaim the top-up in full, Gift Aid claims in the same tax year must be at least one tenth of the claim under GASDS. With net gifts on which Gift Aid is claimed running at an average £2,000 per annum, this will not restrict the claim. £2,000 x 10 = £20,000 far in excess of the claim of £1,971.

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 during the 2013/14 tax year, the deadline for a claim is 5 April 2016.

Appendix 3:

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 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. Attendances vary sometimes as low as eight to ten people, at other times as high as twenty to thirty. This plant started in September 2013, meeting on the last Sunday of the month.

During the period between 1st Jan 2013 and 31st March 2014 the church claimed Gift Aid as follows:

3 months to 31st March 2013:	£725 claimed on net gifts of £2,900
3 months to 30th June 2013:	£645 claimed on net gifts of £2,580
3 months to 30th September 2013:	£983 claimed on net gifts of £3,932
3 months to 31st December 2013:	£441 claimed on net gifts of £1,764
3 months to 31st March 2014:	£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 within 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 2013	£1,536	£126	£189	£62
3 months to 30 June 2013	£1,349	£245	£238	£87
3 months to 30 September 2013	£1,736	£97	£177	£58
3 months to 31 December 2013	£1,924	£215	£345	£65

3 months to 31 March 2014	£1,699	£147	£296	£40
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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 in 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, and has been for at least two years.

Step 2: Recent Gift Aid claims record

The church has made regular Gift Aid claims during its period of registration and therefore meets the requirement to have made at least two Gift Aid claims in the past four tax years and at least one every other year.

Step 3: Eligibility of donations

- All the donated cash is received in the UK and in UK denominated notes and coins of £20 or less and as such passes this test. However,
- Some money from the meetings at the school is never banked (being used to reimburse expenses) and as such must be excluded. This excluded amount is £100 per quarter.

Step 4: calculation

1. Although the gifts received during the services in the café are specifically excluded from the community buildings element of the claim, they can still be included as part of the 'core' element.
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. Firstly, because its primary function is commercial and that use involves the sale or supply of goods; and
 - b. Secondly, because the number of meetings held, and the number of people attending those meetings may not be sufficient to meet the necessary minimum requirements.



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 under the scheme is therefore;

- £5,000 as the core limit.
- £5,000 for donations received in the main building and the church hall combined because they are treated as a single building.
- £5,000 for donations received in the meetings held at the school.
- Nothing for the meetings held in the café.

This makes a total potential claim of £15,000.

1. The cash donated in the café is excluded from the community buildings element of the claim, but can be used against the 'core' element. This amounts to £250.
2. Donations received in the main building and church hall during the tax year 2013/14 total £7,412. As this exceeds the maximum amount per community building, this part of the claim is restricted to the £5,000 annual maximum.
3. Donations received at meetings in the school amounted to £1,056, well inside the £5,000 limit. However, £400 of this amount was never banked in a UK financial institution and as such the total claim is limited to £656.
4. All donations from the café are excluded from the community buildings element of the claim as neither the building nor the numbers attending meet the requirements to qualify (although see point 1. above).

Although it would be nice to 'transfer' the excess cash donations collected from the main building to utilise the unused allowance from donations collected at the school, this is not permitted by the scheme. So the total cash which (subject to the matching principle) can be claimed for the tax year 2013/14 is £5,000 plus £656 plus £250 = £5,906.

Step 5: the matching principle

The matching principle means that in order to be able to reclaim the top-up in full, Gift Aid claims 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 £5,906, so in order to claim the whole amount, net gifts on which Gift Aid has been claimed must be at least £591.

With net gifts of £9,340, the matching principle will not restrict the claim.

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. 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 2014 can only be reclaimed until 5 April 2016.

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 2013, and for the year ended 31 December 2014.



Appendix 4:

Pro Forma offering record template

Pro Forma offering record template

[Enter name of church] – offering record template

Meeting location:

Number of attendees: (estimated)

Date:

Offerings Gift Aided	Denomination	Offerings Not Gift Aided ineligible for SDS	Offerings Not Gift Aided eligible for SDS
Gifts greater than £20 are not eligible for SDS			

(A)		(B)	(C)
<input type="text"/>	Cheques (1)	<input type="text"/>	NIL
<input type="text"/>	£50	<input type="text"/>	NIL
<input type="text"/>	£20	<input type="text"/>	<input type="text"/>
<input type="text"/>	£10	<input type="text"/>	<input type="text"/>
<input type="text"/>	£5	<input type="text"/>	<input type="text"/>
<input type="text"/>	£2	<input type="text"/>	<input type="text"/>
<input type="text"/>	£1	<input type="text"/>	<input type="text"/>
<input type="text"/>	50p, 20p, 10p, 5p	<input type="text"/>	<input type="text"/>
<input type="text"/>	2p, 1p	<input type="text"/>	<input type="text"/>
<input type="text"/>	Total cash (2)	<input type="text"/>	<input type="text"/>
<input type="text"/>	Total offering (1)+(2)	<input type="text"/>	<input type="text"/>

Must be banked to claim GASDS

(A) + (B):

Cash retained for church expenditure:

Offering to bank:

Counted by:

Signed:

Countersigned:

Please note: all envelopes to be opened with contents recorded in the appropriate column. Where such gifts qualify for Gift Aid, the envelope should be retained with the amount of the offering clearly recorded.