Head of Charity Tax

John Conlan
What I will be covering tonight

• Gift Aid Small Donations Scheme
• Gift Aid Online
• New Wording on Gift aid declarations
• GA on Fundraising initiatives
• Other Bits and Pieces
Gift Aid Small Donations Scheme

“GASDS”
GASDS

• Really important for the Church

• At last some “tax relief” on Loose plate giving

• Worth up to £725k pa in cash to Lichfield
  • 450 parishes
  • 580 places of worship

• Make sure you are ready for GASDS
Gift Aid Small Donations Scheme ("GASDS")

- Announced Budget 2011
- **Small Charitable Donations Act 2012**
  - Introduced Westminster Parliament June 2012
  - Public Reading Stage ended August 2012
  - Royal Assent 19th December 2012
  - Takes effect 6th April 2013
- Spending measure not tax legislation
  - But administered by HMRC
GASDS – Purpose of Scheme

• Enable Charities (and CASCs)
• To claim a gift-aid style payment
• Called a “top-up” payment
• On small cash donations up to £20
• Without Need for a Gift Aid Declaration
• Or identification of donor
GASDS – Top Up Payment

- Administered like Gift Aid
- Top-up = 25% of donation
  - While basic rate of tax is 20%
- On maximum of £5,000 small donations
- In tax year
  - Maximum top-up is £1,250
What is a “small donation”

- A gift of cash
- Of £20 or less
- In coins, or notes in any currency
- Given in the UK
- Deposited in a UK bank
- For which no gift aid declaration has been given
- For which no benefits are received by the donor
- And is not deductible in calculating the donors income tax
Not a “small donation” even if under £20

- Cheques
- Postal Orders........do they still exist?
- Bank electronic transfers
- Standing Orders
- CAF cheques
- Postage Stamps !
- Nectar points !!
GASDS – The Problem

• When Chancellor announced scheme budget 2011

• £5,000 maximum per Charity

• Catholics panicked because
  • Parishes not separate Charities
  • £5,000 per Diocese
  • Worthless
  • C of E £5,000 per Parish
GASDS - I Joined HMRC /Treasury Working Group

- Attended meetings in London
- Lobbied for level playing field with C of E
- HMRC policy team responded favourably
GASDS – The Solution

- **Extra** top-up payments
- For Charities who run “Charitable Activities”
- In “Community Buildings”
- Max £5,000 *per “Community Building”*
  - “the community buildings amount”
- Innovative solution
Expressions used in the Act

- "Specified amount" = Top-Up
- "community buildings amount" = Extra Top-Up payment
- "remaining amount" = Top-Up

Try not to get too confused with the terms
Basically what we are looking at is…..

• A maximum sum of small donations per charity of £5,000 pa  (worth £1,250 to us in hard cash)

PLUS

• A Further maximum sum of £5,000 pa for each and every community building in which we receive small donations…..(worth shedloads !)
GASDS – “Community Buildings”

- Village Hall
- Town Hall
- Place of Worship – that’s us folks
Community Buildings – definitions (s 8)

- Village Hall, Town Hall, Place of Worship
- To which the public have access at some or all times
- In which charitable activities are carried out
- Does not include a building, or any part of it, used…
- Wholly or mainly for commercial or residential purposes. Therefore excludes:
  - Charity shops
  - Residential Care Homes
Community Buildings – But what about?

- Church with an attached vicarage/presbytery
  - Residential?
- The School Mass one day a week
  - Commercial???
- University Chaplaincy
- Chapel in Grounds of a Care Home - No?
  - Residential
- Mass centres served from Parish – YES

All are open to the public to attend……but it is unclear about some of these

HMRC Guidance has still to be published
GASDS – Place of Worship
Charitable Activities in a Community Building

• If charity carries out charitable activities in a CB

• With 10 or more people (excluding staff)

• On 6 or more occasions

• In a tax year

• That CB can claim the Extra Top-Up payment

• On donations made during those charitable activities
  That should cover every Parish and church building
“charitable activities” (s7)

“...an activity carried out for a charitable purpose, other than primarily for the purpose of fund-raising.”

This means Church Services
GASDS – Summary so far for Church Charities

- Every church charity can claim on up to £5k in small donations in a tax year – **top-up payment** …… but see later

- **In addition**, every church can claim the same again if it qualifies as a community building – **extra top-up payment**

But there are many strings attached
“Strings attached” for Churches

- Fundraising donations – main top-up payment
- Donations whilst running charitable activities in a CB – extra top-up
- Gift Aid history for 2 years before you can join GASDS. (s2)
- 10% “Matching” requirement (s1)
- “Connected” charities rules (s9)
- Disqualification for 2 years if a penalty is incurred (s2)
Strings (1)
Top-Up payments and Extra Top-Up

The Rules

- **Main Top-Up**
  - Only one per charity per annum
  - Can be in relation to any small donations
  - Fundraising events
  - Collection buckets
  - Or during charitable activities

- **Extra Top-Up**
  - One per CB (parish or place of worship) per annum
  - Only on small donations made during…
  - the delivery of charitable activities (collections at services etc)
  - *Excludes* fund raising activities
Strings (2) – History of Gift Aid

- **Charity A**
  - Been in existence more than 2 years
  - Claimed GA 2011/12; 2012/13
  - Eligible for GASDS 2013/14

- **Charity B**
  - Made GA claims 2011/12, 2012/13 and 2015/16
  - Can't join GASDS until 2017/18
  - Because had a gap of 2 years
  - So has to have one more successful GA claim
  - With no gap

- **GA claims for this purpose** means claims made in a tax year. Does not need to be made in respect of donations received in that tax year........mmmmm see next slide
Example of “eligibility”

- Parish of St John the Accountant
  - Been going for many years
  - Had gift aid donations in 2011/12
  - But none in 2012/13
  - Expecting loads of donations in 2013/14

Oh dear………………a problem
Parish of St John the Accountant – the Problem

- 1 year gap 2012/13
- Lose eligibility to get GASDS in 2013/14
- Earliest year to qualify 2015/16
- Lost 2 years GASDS
Parish of St John the Accountant – the Solution

- Delay part of the 2011/12 claim
- Claim it in 2012/13
- No eligibility gap
- Claim GASDS in 2013/14 and onwards
- Job Done
Simples!
Strings(3) - 10% “Matching”

- Another anti-abuse measure

- To claim GASDS for a tax year

- You must have claimed **GA** of at least 10% of your GASDS claim in the same tax year

- So, if you want GASDS of £5k

- You must have claimed GA on donations of at least £500 in the same year

- **Donations for both purposes must be received in the same tax year**
Matching: does it differ between Catholics and CofE?
Yes……I think it does

- RCDs are 1 charity at Diocesan level
  - So don’t have to match parish by parish
  - So long as GASDS overall is matched to GA overall
  - Does not matter if some individual parishes have no GA at all?

- C of E are separate charities at Parish level
  - So each parish has to match separately
  - Parish with no GA
  - Gets no GASDS
  - And none for the next (possibly) 2 years
  - But if it made insufficient GA claim
  - Then the GASDS is restricted accordingly
  - But it can claim GASDS in the following year, as normal.
Strings (4) – Connected Charities

- The **top-up payment** (max £1250) is shared between **connected eligible charities**

- It does this by pooling the **remaining donations** of the eligible charities

- This excludes donations made in CBs where the **Extra Top-up** is unaffected

- There are various ways the connected charities can share the top-up, and they can all claim a part, or one can claim on behalf of all.

- The purpose is to prevent charities from claiming more than they are entitled to by fragmenting into separate charities, but under common control
Strings (4) – Connected Charities
Does this really matter – I think it might to Anglicans!

- Definition of “Connected”
  - Connected persons definition in s993 ITA 2007
  - Includes Trusts as well as companies
  - And a person has “control” if he/she/it
    - Is a trustee
    - Has power to appoint or remove trustees
    - Has any power of approval or direction in relation to carrying out of duties by the trustees.

You tell me – but does anyone fit this description in a CofE Diocese? Are not all PCC’s separate? This could be very significant. See later example
DBFs – In addition you will have to.....

- Ensure your records enable you
  - To “match” on a parish by parish basis
  - To exclude for the right number of years any parish that does not match
  - Remember that it is not a question of all or nothing
  - You must also be able to claim reduced Extra TOP-UP
  - Where there was some, but insufficient “matching”

But don’t panic - it is not as hard as it looks
Strings (5) – Disqualification if a penalty incurred

- If a charity incurs a penalty for a
  - “Dodgy” gift aid claim under sch24 Finance Act(No2) 2007
  - Or, under The Small Charitable Donations Regulations 2013 (draft regs now published) for a “dodgy” GASDS claim

- It will be disqualified from a Top-Up payment (but not Gift aid interestingly) for that tax year and the following tax year.
Strings (6) - disqualification

- Does this mean..............?????
  - If RCD made a claim for a CB that didn’t qualify (e.g. not 10 persons on one of the 6 occasions)
  - Whole claim across all parishes blown out for 2 years
  - Or, DBF made error in parish by parish “matching”
  - Only that parish blown out for 2 years

- This is not too flippant because innocent but “careless” error comes within sch24, FA 2007

We do not know how will be applied in practice
So – it is better to be a Catholic or an Anglican?

An Example:

Diocese of Bootle with 300 Parishes
Diocese of Bootle

**Bootle RCD**
- 300 parishes
- Top – up max £5,000
- Extra Top-up max £1.5m
- Matching done overall
- Penalty in one parish destroys £1.5m for 2 years?

**Bootle DBF**
- 300 separate charities
- Top-up max £1.5m *
- Extra Top-up max £1.5m
- Matching parish by parish
- Penalty in one parish just destroys that parish

* connected charities rules ??
I can tell you that HMRC does **not** accept that C of E qualifies for 2 bites of the cherry,

(“A parish council of a church is connected to other parishes in its diocese, and with the Diocese itself”)

And if any smart lawyer proves otherwise, they will change the law to stop it…
Claims for GASDS

- Claims must be made on a Tax Year basis
- Not an accounting year (NB DBFs)
- Within 2 years of end of tax year in which donation made
- But you have 12 months in which to amend a claim
- Claim must be in the prescribed form (see later)
- Must keep records to ensure claim is correct
- And must make a declaration (statement) to that effect
- No interest is payable on GASDS claims

[Image: Baker Tilly logo]
Keeping Records – so what do we need to record?

- Need to count (and bank) loose cash donations separately from Gift aid donations

- Of totals banked, need to record how much was “small”

- Most importantly need to do that separately for every CB (i.e. every place of worship)
  - Address of the place of worship
  - Date cash collected
  - Note of the event (e.g. Mass service)
  - Number of people in the congregation (e.g. more than 20)
I have a pile of cash......how do I know if it was all “Small”

- Charity “managers” must take **reasonable steps to find out** (Sch E)
- If they do, they satisfy the conditions
- **Examples of reasonable steps?**
  - A £50 note in collection is clearly not “small”
  - All £20, £10 and £5 notes can be assumed “small”
  - But a £20 plus a £10 in a non-GA envelope is not!
  - Or any other combination that indicates that one donor gave more than £20

It is a common sense approach
The responsibility is ours………….

- To advise all parish treasurers
- To train their parish counting teams
- And to give them systems to enable identification and separation.
- In every parish, Mass centre or other “Community Building”
Overpayments of GASDS - Reg 6

- HMRC will make assessment to recover
  - Ordinary time limit – 4 years *
  - Careless behaviour – 6 Years *
  - Deliberate behaviour – 20 years *
    - * from end of the year of assessment
Overpayments recovered

- Interest chargeable – Reg 10

- Plus Penalties – Reg 11

- Penalties depend on degree of culpability
  - Careless Inaccuracy - 30% (possibility of suspension)
  - Deliberate Inaccuracy – 70%
  - Deliberate and concealed – 100%
Other Powers in the Regulations

- Information gathering powers

- **Tax agents** - Reg 5
  - Powers to obtain papers
  - Powers to determine dishonest conduct
  - Failure to comply penalties
  - Concealing and destroying documents

- **Charities**
  - Publishing details of deliberate defaulters (Reg 12)
GASDS is this important to you........
That’s all folks……on GASDS

The End – Thanks be to God
Brief Respite for you.......
Baker Tilly - Spain

Office in Madrid

Office in Barcelona

John’s office
Baker Tilly - Madrid
Baker Tilly - Barcelona
My Baker Tilly Office in Spain

Nerja, Andalusia
Online Claiming

A bright new world from April 2013
Online Claiming – what is it

- the new on-line repayment claim methods to be introduced in April 2013

- Will apply to all charity repayment claims
  - Gift Aid
  - Small Donations Claims
  - Other tax repayment claims – e.g. tax deducted from investment income
Online Claims – aka Charities Online

- It starts on 22\textsuperscript{nd} April
- Online R68’s – next step from the R68(i)
- No more paper claims?.........not quite true
- And will have a transitional period
  - You can still use the R68(i) until 30\textsuperscript{th} September 2013
Charity Repayment Claim service

- only charities registered with HMRC can use the Service
- must first register with Government Gateway on line
- ID & Activation PIN posted to authorised official
- then need to Register and activate online service
- separate service for Agents that submit claims on behalf of charities
  - For those parishes not in the DBF gift aid scheme, this might be a very good time to join !!
Charity Repayment Claim Options in 2013

So how will it work ??

3 Options

I am grateful to Andrew Kayley of HMRC for the use of the following slide
Charity Repayment Claim Options in 2013

Option 1
Online claim
Government Gateway

Option 2
Via your database, or 3rd. Party Software (OOO’s of donors)

Option 3
Paper Charity Claim form - ChR1 (2013)

By post

HMRC Data Processing Centre

Charity Repayment Service (Up to 1,000 donors)

From own Laptop or PC

Gift Aid, Other Income & Charity Small Donation scheme schedules

Extracted Claim information

HMRC Charities

Claim data
Paper ChR1 Claim Form + ChR1CS (Continuation sheet)

Only available direct from HMRC - available 25th March

Form will be handwritten, scanned and data extracted

ChR1 - replaces the old R68 forms

ChR1CS - continuations sheets can be requested

Photocopies not acceptable

Typed schedules & Covering letters not acceptable

Can handle up to 90 donors with each claim
HMRC do not want you to use the paper version – that is why so difficult.

But Government has to offer a paper option

These changes are all about the Online world
Benefits of Charities online

• Faster, more accurate claims

• Immediate on screen acknowledgement
  • Faster repayment – target is 15 days (30 days for R68(i))

• Easier records for sponsored events
  • No individual donor information, unless over £500 donation from a donor

• Higher limit for aggregated donations (under £20)
  • £500 limit increased to £1,000

• Making things easier to understand
  • Forms being given new names
  • ChV1 form to be renamed “change of Details”
Charities Online - what you should do

• Decide which option you want

• Go online at
  http://www.hmrc.gov.uk/charitiesschedules/giftaid.htm#2

• Download the spreadsheets schedules

  Microsoft Excel - Microsoft Office 2010 for Microsoft Windows

  Microsoft Excel - Microsoft Office 2011 for Apple Mac OS

  LibreOffice 3.5 for Microsoft Windows, Apple Mac OS and Linux
Charities Online

Are you ready?

Good Luck!
Gift Aid Declarations – new wording

Have you all now changed your GADS?
GADS – old Declarations should be binned

If your Gift Aid Declarations do not have the following words, any that have been entered into since 31st December 2012 are not valid.............!!

That is the bottom line folks
GADs – the new wording

“

I confirm I have paid or will pay an amount of Income Tax and/or Capital Gains Tax for each tax year (6 April to 5 April) that is at least equal to the amount of tax that all the charities or Community Amateur Sports Clubs (CASCs) that I donate to will reclaim on my gifts for that tax year. I understand that other taxes such as VAT and Council Tax do not qualify. I understand the charity will reclaim 25p of tax on every £1 that I give on or after 6 April 2008.

“
GADs – new wording

• Proposal announced in February 2012
  • Change to the regulations governing valid GADs
• Existing GADs did not need to be changed
• But all new GADs from 1st January 2013
• Must have new wording
• Or will be rejected by HMRC

Now pandering to the lowest common denominator?
I hope you have all changed yours ????
Other Bits and Pieces
Keeping Records

HMRC got in a bit of a flap in January 2012
A note about keeping records
HMRC issued this statement in January 2012

“While reviewing some of the guidance for charities, an error has been identified in the guidance on keeping records. The guidance stated that the four-year time limit for making claims also applied to the retention of records. This is incorrect - records need to be kept for at least six years.”
HMRC Statement in January 2012

“If before January 2012 you followed previous guidance and destroyed records between four and six years old you will not be penalised. However if you have kept your records from that period you must continue to keep them as you may be penalised if you destroy records which you are required to keep.”
Keeping Tax Records – DBFs / PCCs

- **DBF/ PCCs** – are companies in law
  - 6 years after end of APE they relate to
  - e.g. year to 31 December 2012
  - Make gift aid claim in 2013
  - Keep records until 1\textsuperscript{st} January 2019

Of course, in either case if you have an HMRC enquiry you must keep records until the enquiry is closed.

Also, enduring GADs you must keep while they endure
Gift Aid – Fundraising Events
Gift Aid on fundraising events

- Gala events – dances, dinners, balls
- Charity Auctions
- Sponsored Events
### First – a Reminder

**Gift Aid Benefits – the prohibition**

<table>
<thead>
<tr>
<th>Amount of donation</th>
<th>Maximum value of benefits allowed</th>
</tr>
</thead>
<tbody>
<tr>
<td>£0 - £100</td>
<td>25% of the donation</td>
</tr>
<tr>
<td>£101 - £1,000</td>
<td>£25</td>
</tr>
<tr>
<td>£1,001+</td>
<td>5% of the donation (up to a maximum of £500)</td>
</tr>
</tbody>
</table>

Made between 6 April 2007 and 5 April 2011

Made on or after 6 April 2011
Gala Events

Purchase of a ticket

To attend a gala dinner

Is not a “freewill gift”

But if you get the wording right

You can get some Gift Aid
<table>
<thead>
<tr>
<th>Ticket costs</th>
<th>Donation</th>
<th>Gift Aid</th>
</tr>
</thead>
<tbody>
<tr>
<td>£100 - includes £50 donation</td>
<td></td>
<td>Not a Gift – No gift Aid</td>
</tr>
<tr>
<td>£50 and donation of £50 also required</td>
<td></td>
<td>Not a Gift – No Gift Aid</td>
</tr>
<tr>
<td>£50 and “suggested” donation of £50 requested</td>
<td></td>
<td>Could be a Gift – could get Gift Aid</td>
</tr>
</tbody>
</table>
Example 1 – extreme but true

Charity with Royal patronage

Dinner at Palace

For 250 people

At £4,000 per ticket – no gift aid

Agreed with HMRC….if

Ticket price changed to £400

And “suggested donation” of £3,600

Gift Aid would be eligible
Example 2

Patrons scheme – various levels

Some “benefits” involved

Associate Patron costs £5k

Included “privileges” of £300

No Gift Aid

Split it into

• Payment for privileges £300
• Suggested donation £4700 – Gift Aid applies
  (worth a further £1,175 in cash to the charity from HMRC)
Charity Auctions
Gift Aid – Charity Auctions

Item bought at Auction

Is not a Gift to Charity

BUT

Revenue accepts that at Charity Auction bidders may intentionally pay more than item is worth
Gift Aid – Charity Auctions

Revenue prepared to accept that Gift aid may apply

Provided GAD completed, AND

Benefit rules observed
Auctions – Relevant Benefits

Items **NOT** commercially available

Benefit = Amount paid

NO GIFT AID
Auctions – Examples

Wayne Rooney’s shirt went for £10k

not commercially available

NO GIFT AID
Auctions – Examples

- Weekend in Paris
- Donated by Travel Agent
- Shop price (say) £1,000
- Successful bidder paid £3,000

NO GIFT AID – BENEFIT EXCEEDS 5%
But…. Bidder Can Buy the Gift Aid Benefit

<table>
<thead>
<tr>
<th>If so</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auction Bid</td>
<td>3,000</td>
</tr>
<tr>
<td>Shop price</td>
<td>1,000</td>
</tr>
<tr>
<td><strong>GIFT AID EXCESS</strong></td>
<td><strong>2,000</strong></td>
</tr>
</tbody>
</table>
Buying The Benefit Only Applies

- Item is commercially available
  - Auctions of Promises do NOT qualify for gift aid (generally)
- Donor is told before successful bid
- And knows “shop price”

I do not come across many charity auctions that successfully claim gift aid
Sponsored Events
Sponsored Events in Exotic Places
Sponsored Events

Gift Aid relief available

Special model GAD

Section 3.47 “Guidance Notes”

BUT THERE CAN BE PROBLEMS

(s417 ITA 2007)
Sponsored Events – Problem Area

“RELEVANT BENEFITS”

If charity meets any costs of participant e.g. travel and accommodation

Then donations from the participant

And all members of family

Will not qualify for gift aid

BE AWARE
Sponsored events – problem areas

Charity’s Leaflets must specify this
And so must the Sponsorship Declaration
Take advice beforehand if costs being met
Get HMRC to clear your paperwork
And Finally..........
Do not be put off........

GASDS is essentially simple

Online Claiming is the way forward

Put your parish into the central GA Scheme......if not already in

This will reduce the administration for you.
The end Is Now.......... 
Thanks Be To God
Any Questions?