



## Gift Aid and tax effective giving

*Making the most of your charitable income*

**Gift Aid is an easy way for creative groups that are registered as charities to increase the value of donations, including on membership subscriptions.**

**In most cases, providing the donor is a UK taxpayer, the charity can claim an extra 25p for every £1 given.**



The Gift Aid scheme is particularly useful for those groups that make the majority of their income through donations as opposed to grant funding. Yet it's surprising how many creative charities don't already reclaim Gift Aid, perhaps because they believe the process is too complicated or because they don't realise that tax can be reclaimed not just on donations, but on things like membership subscriptions too.

This briefing will dispel some of the myths and show how easy it is to make the most of the scheme.

In the Republic of Ireland, tax relief is available only on donations over €250 per year – details of which are also included in this briefing, *section B*.

*If you're not a registered charity then this briefing will not apply to you directly, but reading about the benefits of tax effective giving may affect your decision to apply for charitable status in the future. Download our briefing 'Getting Charitable Status' to find out more:*  
[www.creative-lives.org/getting-charitable-status](http://www.creative-lives.org/getting-charitable-status)



## The rules (UK)

- Gift Aid is equal to the basic rate of tax, which is 20 percent.
- To claim Gift Aid, you must be a registered charity.
- Donations can be made by any individual, provided that the donor has paid the same amount or more in income and/or capital gains tax in the UK.
- In most cases the donor must also make a Gift Aid declaration, giving you permission to claim\*
- Donations can be in any form, such as cash, card or cheque payments.
- You must keep a record of all Gift Aid donations and any additional benefits given to donors as a consequence of their donation
- You can back claim all donations made to you from the last four years.

\*You may still be able to claim on cash donations of £30.00 or less without permission, but not on membership fees. This is called the Gift Aid small donations scheme (GASDS), see [section A](#).

## Gifts that qualify for Gift Aid

Normally Gift Aid is claimed on voluntary gifts or donations of money to a charity, however, surprisingly many more types of giving, such as membership fees, can qualify.

There are specific rules around certain types of donations, for example:

### • **membership fees**

Charity membership fees can qualify for Gift Aid; however, payments must be for membership only. This can include receiving a newsletter, hall hire for meetings or taking part in group activities, provided your activities are within your charitable objectives, e.g. singing for health. However, membership cannot infer any personal 'benefit' beyond this, for instance access to private facilities or services such as a gym.

If your charity does provide additional benefits on top of its charitable activities you might also consider splitting your fees into two payments, one for those benefits and one for the simple membership, so you can claim Gift Aid on that amount.

### • **events**

Tickets to an event you have organised, such as a concert or fundraising dinner, do not automatically qualify for Gift Aid. However, if you set a ticket price for an event, then ask for a suggested donation on top, the donation is eligible, however, it must be made clear to people buying the ticket that it is not obligatory to pay the extra amount.

### • **auctions**

If the nominal retail value of an item bought in a charity auction exceeds the amount paid, you cannot claim Gift Aid. However, if the amount paid is more than the retail value, then Gift Aid can be claimed against the difference. This works well for memorabilia, where a signature might add significant value to an item.

There are also some specific types of donations you cannot claim, such as those:

- from limited companies
- made through 'Payroll Giving'
- that are a payment for goods or services
- where the donor gets a 'benefit' over a certain limit (see also membership fees).

It can feel complicated, but as a rule of thumb, when you have an 'extra' or 'excess' sum donated to your charity - on top of any cost price - this should qualify for Gift Aid.

Further details of what you can and cannot claim can be found on the Government gateway site - [www.gov.uk/guidance/gift-aid-what-donations-charities-and-cascs-can-claim-on](https://www.gov.uk/guidance/gift-aid-what-donations-charities-and-cascs-can-claim-on)

## Gift Aid declarations

To claim Gift Aid you need a completed Gift Aid declaration form from the donor. It should include the name and address of both the charity, and the donor, alongside confirmation that the donor has paid tax in the UK and that they agree to Gift Aid being claimed.

Several examples of Gift Aid declaration forms can be found on the Government gateway site - [www.gov.uk/claim-gift-aid/gift-aid-declarations](https://www.gov.uk/claim-gift-aid/gift-aid-declarations)

## Keeping Records

You must also keep a record of all Gift Aid donations, and any additional benefits given to donors as a consequence of their donation. In most cases this need not be more complex than a spreadsheet or cashbook with a

note of your donor's details, the date of the donation and how much was given. This can also note Gift Aid status, as above.

## A. Gift Aid Small Donations Scheme (GASDS)

You may also be able to claim Gift Aid on cash donations of £30 or less without the express permission of the donor. This does not include membership fees, but does include any contactless card donations collected on or after the 6th April 2019. There are some limits, and you must keep an accurate record of donations, but essentially if it was eligible for normal Gift Aid, you should be able to claim under GASDS in the same way.

**Remember** - Gift Aid can be claimed retrospectively for up to four years (or two in the case of GASDS). This can be a considerable boost of extra income if you have not claimed previously.

**For further details on claiming Gift Aid and GASDS please see** [www.gov.uk/claim-gift-aid](https://www.gov.uk/claim-gift-aid)





## Other sources of Gift Aid or Tax advice include:

- Charity Excellence blog: [www.charityexcellence.co.uk/Home/BlogDetail?Link=Claim\\_HMRC\\_Gift\\_Aid\\_For\\_Charities](http://www.charityexcellence.co.uk/Home/BlogDetail?Link=Claim_HMRC_Gift_Aid_For_Charities)
- Culture Hive [www.culturehive.co.uk/culturehive-search/?\\_sft\\_smart\\_tags=gift-aid&owner=CH](http://www.culturehive.co.uk/culturehive-search/?_sft_smart_tags=gift-aid&owner=CH)
- Chartered Institute of Fundraising [www.ciof.org.uk/events-and-training/resources/gift-aid](http://www.ciof.org.uk/events-and-training/resources/gift-aid)
- Scottish Council for Voluntary Organisations [www.scvo.scot/support/running-your-organisation/finance-business-management/tax-vat](http://www.scvo.scot/support/running-your-organisation/finance-business-management/tax-vat)
- Association of Independent Museums [www.aim-museums.co.uk/answers-top-gift-aid-questions/](http://www.aim-museums.co.uk/answers-top-gift-aid-questions/)



## B. Tax efficient giving in Ireland

Eligible charities, registered as approved bodies in Ireland, can claim back 45% of the tax paid on personal donations, but only on donations of €250 or more in any one year and where the donor pays income and/or capital gains tax in Ireland.

This means that if you donate €250, the charity can claim a whopping €112.25 from Revenue, making your full donation worth €362.25.

Donations don't have to be made in one go – they are cumulative, so a direct debit or standing order of €21 a month will bring a donor over the threshold.

To become an approved body, you must first register with **Revenue Online Service** and hold charitable tax exemption for a period of at least two years.

**Donations for which tax relief is claimed must not:**

- be repayable
- confer any benefit on the donor or any person connected with the donor
- be conditional on, or associated with, any arrangement involving the acquisition of property by the eligible charity.

Additionally, where there is a direct connection between the donor and the charity at the time the donation is made (e.g. where the donor is an employee), tax relief on donations is restricted to ten per cent of the total income of the individual for the relevant year of assessment.

To enable tax effective giving, your donors must complete and return to you either a:

**CHY3 Certificate** - valid for a period of five years

Or a

**CHY4 Certificate** - valid for a period of one year.

Forms can be sent to donors at the time a donation is made. It is then up to you as the charity to complete their claim through the Revenue Online Service (ROS).

As with the UK, retrospective claims can be made for the last four years.

For further information, please see:

[www.revenue.ie/en/companies-and-charities/charities-and-sports-bodies/charitable-donation-scheme/index.aspx](http://www.revenue.ie/en/companies-and-charities/charities-and-sports-bodies/charitable-donation-scheme/index.aspx)

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