

# Gift Aid Guide

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# Gift Aid Guide

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## Introduction

This guide has been produced to assist parish Gift Aid secretaries and anyone else involved in the gift aid process for parishes.

If you need any further assistance then please contact the Gift Aid Office at Diocesan House on 01227 459401 or email [giftaid@diocant.org](mailto:giftaid@diocant.org).

This guide is available on the Diocesan website  
<https://www.canterburydiocese.org/giftaid/>

## An Overview

**Gift Aid** is a government scheme where a charity can claim extra money on donations. This extra money is effectively the tax that the donor has paid on the money that has been donated.

For example, a standard tax payer is given a bonus of £100 per month and decides to donate this money to the church. However, on that £100 he is taxed at 20% and only gets £80. He donates this £80 under the gift aid scheme and the church can claim back the £20 tax he has paid.

For gift aid we have to ignore any national insurance paid as well as VAT, council tax, etc. The only taxes that are included in the scheme are Income Tax and Capital Gains Tax.

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The **Gift Aid Small Donations Scheme (GASDS)** is not a tax refund but a government spending initiative. It means that the equivalent of Gift Aid can be claimed on certain small cash donations.

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## Declarations

Before the church can claim gift aid, the donors need to complete a declaration stating that they pay the correct tax, are willing for the church to claim it and that they understand their personal liability should they pay less tax than the gift aid claimed.

The declaration has to contain certain information and wording. The precise details changed in October 2017 so please ensure that the declarations you are using are compliant. There are [blank declarations](#) on the diocesan website for your use. Alternatively, you can design your own if you prefer but please ensure that they are compliant. HM Revenue and Customs provide a [checklist](#) for this and a copy of this is also on the diocesan website. If you design your own declaration then please ensure it is also GDPR compliant.

If you are in any doubt then please contact the Gift Aid office who will be happy to check for you.

When getting donors to complete declarations please note the following:

- A declaration must be completed by a tax-paying individual – not a business or company and not in joint names.
- It must be completed in pen.
- The first or both boxes must be ticked by the donor.
- Please ensure all information that is requested is supplied.

The declaration needs to be sent to Diocesan House. We would normally return the original to you after retaining an electronic copy. Please state if you do not require this. Alternatively you could email us a scan and retain the original for your records.

Periodically, or on request, we will also send you a list of all current registered donors.

## One-Off Declarations

Declarations do not need to be ongoing and can, if desired, cover a single gift. Many parishes have pre-printed envelopes specifically for this. There are numerous companies that provide these including:

Church Finance Supplies 01235 524488

[Envelope Systems](#) 01767 681717

[Lockie Envelopes](#) 01942 402510

The Diocese can provide a small number of such envelopes free of charge. Please contact the Gift Aid office for further details.

When these have been used the envelopes should be sent to the diocese as they are declarations. We retain the original of these and would not normally return them.

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## **Donations**

For a donation to be gift aided it has to be given without obligation or expectation of goods or services. Any benefit given for the donation has to be minimal in value. For further information please see the FAQ section below or contact the Gift Aid Office.

Many in the congregation will donate to the church by not claiming expenses for items purchased. This type of donation cannot be gift aided unless there is an actual exchange of money – i.e. the expense is reimbursed and then the individual makes a donation of equal value to that reimbursement.

Most donors will give by either standing order or use an envelope scheme. An envelope scheme is where the donor is given a supply of envelopes with an identifying number and uses these to donate by cash and/or cheques each week. It is simply a way of being able to identify the donor.

As these envelopes are not declarations they should not be sent to the diocese. You will need to keep all of them for at least 12 months (i.e. at any point you will need to have at least 12 months' full supply of the used envelopes. For older ones please choose a random month in each year and keep that month's supply for a further six years. The rest may be discarded.

## **Sponsored Events**

If you are running a sponsored event then it is possible to claim gift aid on the sponsored money. The sponsorship form becomes the declaration and it is therefore essential that it is compliant with HMRC requirements and that you have a clear audit trail. There is a [blank sponsorship form](#) on the diocesan website which you can download and use. If you want to design your own form then we would strongly recommend that you check with the gift aid office before it is handed out. Some sponsors won't be able to tick the Gift Aid box. It is possible that these donations can be included in GASDS. Please see that section for further information.

## **Annual Reminder to Donors**

It is good practice to remind donors of their tax requirements under gift aid. This can be done with an annual personal thank you letter or a short paragraph in a parish magazine or newsletter. On the diocesan website there are [annual reminder slips](#) with the necessary wording that can be incorporated into your communication or simply given to each donor. If the diocese processes your gift aid, then we can produce the thank you letters for you. Please contact the Gift Aid Office for further information.

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## Gift Aid Small Donations Scheme (GASDS)

Please note that these regulations changed with effect from 6/4/17. If you want to claim GASDS on donations prior to this date then please check with the Gift Aid office.

This is separate and additional to gift aid but works in a similar fashion. With this you can claim the equivalent of the gift aid tax refund on small cash donations. Mostly these will be from either the collection plate or freewill offering envelopes that do not qualify for gift aid. The rules for this are:

- Donations must be in cash (cheques and standing orders are not acceptable)
- Donations made using a contactless payment system can also be included
- Donations must be £20 or under. You can assume that the entire collection plate is made up of donations of £20 and under unless it is clear otherwise. In practical terms there are three circumstances where it will be clear that part of the collection plate does not qualify for GASDS.
  1. There is a £50 note (or Scottish £100 note) within the collection
  2. There are notes – exceeding £20 in total – folded together.
  3. You are made aware that a donation was in excess of £20The remainder of the collection plate will qualify.
- There must be no material benefit whatsoever given to the donor.
- The maximum amount of donations on which you can claim in any one tax year is £8,000 per Community Building. To ensure that the church (and any other building you meet in) is a Community Building it has to have at least 6 meetings a year – that are open to the general public (or a section of) – with at least 10 people attending each meeting.
- Donations have to be received in the same local authority area as the Community Building

There are a couple of further points to be aware of regarding GASDS.

1. The £20 limit applies to the total given at the time of the donation, not necessarily the intended time span. For example, if a non-Gift Aid donor uses the envelope scheme and donates £10 a week this money can be included in the GASDS claim. However, if the donor is away for two weeks and then gives three envelopes, each with £10 in, the total donation is £30 and this must be excluded from the GASDS claim, regardless of the fact that the intention was to give £10 a week.
2. If a donation can be included with both the Gift Aid and the GASDS claim, then it should be included with gift aid. Clearly, it must never be included in both.
3. If you are running a sponsored event and some of the sponsored donations do not qualify for gift aid, they may qualify for GASDS. These donations are subject to the standard qualifications above. The local authority area in which they are collected, is deemed to be the participant's home address.
4. Please also note that as GASDS is a public spending initiative rather than a tax refund, higher and additional tax payers cannot claim any further tax refund on a GASDS donation. Similarly donors who claim some tax credits cannot take into account GASDS donations when calculating their salary.

If you need any further clarification with the Gift Aid Small Donations Scheme please contact the Gift Aid Office.

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## Record Keeping

Because gift aid is a refund of tax from HM Revenue and Customs, it is essential to keep accurate records and a precise audit trail. What you will need to be able to show is how the money from each and every donation was paid into a church bank account.

For standing orders and BACS payments this is straightforward as they are paid direct into the church's account. The bank statement is the essential record here.

For cash and cheques you need to keep a record of how much each donor gave. On the diocesan website is a monthly sheet that might assist with this. The sheet is available as a Word document, PDF or Excel spreadsheet. Please use the version that you are most comfortable with. The website also contains a sample monthly sheet that has been completed. The completed sheet will show how much cash and/or cheques were donated and how they were paid into the bank. It forms, along with the bank statement, an essential part of the audit trail.

- At the top put the month that the sheet relates to and the Parish's gift aid code.
- In the first two columns write the donor's name and the envelope number. This will identify the donor. If you need more rows then please use more than one sheet or, if using the Excel spreadsheet, add additional rows as required.
- Put an 'X' in the third column to confirm that the donor has a current valid gift aid declaration.
- The next six columns are for recording the weekly (or other) collection. Put the date at the top and the amount of donation in the relevant row for the donor. The last column is the total that the donor has given for that particular month.
- One off cash and/or cheque donations need to be included in this form and can be added to the rows after the regular donors.
- At the bottom there are two lines for the collection plate amount (those that qualify for GASDS and those that do not).
- The next row is a total of that week's gifts.
- The row titled 'Included this week' is for any other income that needs to be banked that is not included above, and cannot be gift aided. Examples of this may be hall rental money, sales of books or cards, payment for refreshments, etc.
- The last row is the total that is banked. These should match the amounts paid into the bank as shown on the bank statement.
- By ticking the final box, and marking any cheque donations, you will be able to clarify any non-Gift Aid envelopes that can qualify for GASDS.

All documents relating to gift aid should be stored for seven years before being destroyed. The exception is freewill offering envelopes as stated above under Donations.

Whilst GASDS is not a tax refund, it is administered by HMRC and the record-keeping requirements are equally important.

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## Gift Aid Office Return

In order to process your claim, the gift aid office need to know the total each donor has given within each time period. (A time period is often a month but can be quarter or other defined time.)

Please do not use a time period that goes over the end of the personal tax year (5<sup>th</sup> April) or the end of the church's financial year (31<sup>st</sup> December).

For this reason it is often a good idea to include the first five days of April within the month of March – i.e. 1<sup>st</sup> March to 5<sup>th</sup> April and then 6<sup>th</sup> April to 30<sup>th</sup> April. This ensures that donations fall within the correct personal tax year for the donor and the correct financial year for the PCC accounts.

If you need to claim gift aid for an extended time you may need to use several time periods. For example, if your last claim was up to the end of October 2016 and you want to claim up to the end of April 2018, the time periods you want are:

- 1/11/16 to 31/12/16 - the start of the period you want to claim for to the end of the financial year
- 1/1/17 to 5/4/17 - the start of the financial year to the end of the tax year
- 6/4/17 to 31/12/17 - the start of the tax year to the end of the financial year
- 1/1/18 to 5/4/18 - the start of the financial year to the end of the tax year
- 6/4/18 to 30/4/18. - the start of the tax year to the end of the period you want to claim for.

It is no longer necessary to send to the diocese the bank statements or monthly schedules.

We will need to see the enduring and one-off declarations.

## The Turnaround Report

We can send to you a list of your current donors with a space to record how much they have donated that month (or quarter, etc.) This list is called the Turnaround Report. The preferred method is that we email you this as an Excel Spreadsheet and you email it back once completed. This is preferred as we can upload the data automatically. However, if you are not on email then we can forward a paper version of the Turnaround Report.

## Parish Compliance

We are required to ensure that every parish (who use the diocesan gift aid service) is compliant with HMRC regulations. Therefore at some point every three years, you will be asked to come to a meeting (along with other Gift Aid Secretaries) and bring the bank statements and other relevant documents from a recent claim. We will then give general guidance and do some specific checks. As well as fulfilling our compliance requirements, these meetings are a good way to share best practices with other parishes. More details will be given at the time.

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## FAQs

*Can we claim extra gift aid for donations from higher rate tax payers?*

The simple answer is no. However, the tax payer can include the donations on his or her self-assessment tax return and obtain some additional tax relief. They would, of course, be free to donate this relief to the church and gift aid can be claimed on it.

*Can we claim for historic donations that were missed, and if so how far back?*

Yes, we can claim gift aid for donations in the current and previous four tax years. For GASDS it is the current and previous two tax years.

*I realise that a donation has to be given freely without obligation or expectation. However, if that is done can we provide some benefit to the donor or his/her family?*

There are precise rules on the level of any benefit. If you are planning to do this it may be worth talking to the Gift Aid office first. However, the following applies:

- Any benefit to the donor's family is still considered a benefit to the donor.
- For donations up to £100 the maximum value of any benefit is 25%.
- For donations between £101 and £1,000 the maximum value of any benefit is £25
- For donations over £1,000 the maximum value of any benefit is the lower of 5% or £2,500.
- These figures need to apply both to single benefits and the aggregate benefits over the whole year.

*Can we gift aid the successful bids at a charity auction?*

Generally not, as the money is a payment for goods and/or services rather than a donation. However, it is clear that there are times when an individual will pay in excess because it is for charity.

Firstly you will need to understand that the excess payment can only be considered excess against the normal marketable value – i.e. the price you would pay in the shops. Therefore, if the service being bought is something that is not generally available (e.g. the vicar offering to wash your car) then there is no marketable value for this and therefore no excess payment. This means that successful bids for this type of lot cannot be gift aided.

If an item is being auctioned that is generally available then gift aid might be able to be claimed in two possible circumstances.

1. If the winning bid is excessive enough that the item can be included within the benefits rule above then the entire amount paid can be considered a donation.
2. If this is not the case, then it is possible that any overpayment can be considered a donation but only if the successful bidder was made aware of the market value before he or she started bidding. There would need to be a clear audit trail and record of this.

If you are planning to do this then it would be advisable to speak with the gift aid office in plenty of time beforehand.



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*Can a donation in foreign currency be included in the GASDS claim?*

Yes, as long as it is cash (notes and coins) and the sterling equivalent does not exceed £20

*Is there any training available?*

There is a biannual treasurer training program that normally includes gift aid. This usually takes place in February and July. We are also happy to run more specific training when requested. This would normally take place in the deanery and we would invite those from neighbouring deaneries. Please contact the gift aid office for further information.

*Will the compliance meetings take place during normal office hours?*

There will be several meetings from which you can choose the most convenient. Some will be in normal office hours with others on an evening or Saturday. The locations will also be spread around the diocese.

*Do we have to use the monthly record sheet provided?*

No. The monthly sheet is given as an aid to your audit trail. If you have another method where you are able to show how each donation was paid into a church account then please feel free to use that.

*Donations have to be from individuals rather than business, but what about people who are self-employed. Can they still gift aid?*

If the donor has signed the declaration and confirms that it is personal donation then yes. They will then not be able to deduct it as a business expense.