

## Gift Aid Small Donations Scheme

The Gift Aid Small Donations Scheme (“GASDS”), effective from 6 April 2013, is designed to provide charities with a “top up payment” on small cash donations where these cannot be gift aided (for example because the identity of the donor is either not known or not recorded). The top up payment is equivalent to basic rate tax on the GASDS receipts, just like Gift Aid. This is subject to a “maximum donations limit” as explained below. The scheme applies to Community Amateur Sports Clubs (CASCs) as it does to charities, and references to charities throughout this article should therefore be read to include CASCs.

Unfortunately, the maximum donations limit is very restrictive, and several elements of the rules appear to be unduly complicated. However, it is still likely to be worth while for most charities receiving such donations to make a claim.

Key points are that:-

- A small donation is defined as £20 or less, and must be received in cash;
- The donation must be applied for charitable purposes;
- No benefit may be received by the donor other than a small token (such as a sticker received in a street collection);
- Membership fees are specifically outside the scheme;
- All donations must be collected in the UK and paid into a UK bank account;
- The claim must be made within one year of the end of the tax year concerned (instead of four years with Gift Aid);
- To be eligible the charity must meet a “compliance history requirement”.

### Maximum Donations Limit – Simple Cases

In simple cases, the maximum donations limit will be the lower of:-

- 10 times the amount of donations made to the charity in the tax year in respect of which it has made a successful Gift Aid reclaim; and
- The “specified amount”, which is normally £5,000, but may be increased or decreased by the rules below on connected charities, and charities running activities in community buildings.

It can therefore be seen that in these simple cases, the maximum annual top up payment will normally be £1,250.

### Charities running activities in community buildings

Where the charity runs charitable activities in a “community building”, then the specified amount used in calculating the maximum donations limit can be increased by the sum of the small donations that are made to the charity in the “community building” by “group members” during the tax year. This is subject to a maximum increase of £5,000.

Group member means a member of the group of people with whom the charity is carrying out the activity, i.e. essentially a beneficiary of the charity, not staff and volunteers.

A community building means, generally, a building (such as a village hall, town hall or place of worship) to which the public (or a section of the public) have access at some or all times.

Additional complications arise where parts of the building are used wholly or mainly for residential or commercial purposes, or the supply of goods.

A charity “runs” charitable activities in a community building if, at least 6 times during the tax year:-

- It carries out a charitable activity with a group of people in a community building, at least 10 of whom are beneficiaries of the charity;
- The activity is of a kind that the charity makes available to the public or a section of the public; and,
- None of the group is required to pay to access the building.

### **Connected charities**

Charities are connected where, broadly, they are under common control, and their purposes and activities are the same or substantially similar.

Connected charities must share the limits between them. The method of sharing the limits is very complicated, particularly when connected charities share a community building, and is beyond the scope of this article. If you think you may have connected charities to share the limits with, then please get in touch and we can advise further.

### **Eligible Charities - Compliance History Requirement**

A charity is eligible if:-

- a) It has made a successful Gift Aid reclaim in at least 2 of the previous 4 tax years, except that if it failed to make a successful Gift Aid reclaim in 2 consecutive tax years, then any claim prior to that cannot be counted;
- b) It's “start-up period” expired prior to the 2 tax years counted in a) above. The “start-up” period is the first two full tax years in which the entity was a charity; and,
- c) It has not received a penalty in connection with a Gift Aid or Small Donations Scheme claim in either the relevant tax year or the previous tax year (refunds can be clawed back where the penalty is imposed later).

As such, a charity must have existed for at least four complete tax years before it becomes eligible for the Gift Aid Small Donations Scheme.

### **Conclusions**

Most charities in receipt of small cash donations will want to make a claim under the Gift Aid Small Donations Scheme. However, the rules governing the maximum amount of relief are complex, and HMRC's view on certain areas may still evolve as guidance becomes available. Advice may be required at times to ensure the right amounts are claimed. Given the relatively low limits on claims, there may be times where trustees need to consider the benefit of making a claim compared with the costs, either in terms of time or professional fees.

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