

Gift Aid

Gift aid is a way for charities to increase the value of monetary gifts from UK tax payers by claiming back the basic rate of tax paid by the donor. Strictly speaking, membership subscriptions are not gifts; they are made to gain access to the facilities and services provided by the charity. However, HMRC is prepared to treat them as gifts providing the payments do no more than secure membership of the charity which allows members to receive newsletters and participate in activities which form part of your U3A charitable objects/purposes. The administration of gift aid can seem confusing so, for your peace of mind and that of future trustees, it is strongly recommended that all U3As proceed with caution and follow the procedure laid down here. If you are a U3A with one membership fee and no additional payments for attending groups or monthly meetings, this is especially important as in the past some U3As in this category have been refused the permission to gift aid.

BEFORE YOU START CONSIDER WHETHER...

You have more reserves than you could comfortably defend. If so, you should consider delaying any action on gift aid until you have plans in place to reduce your reserves to an acceptable level otherwise you will make the situation worse.

You believe you have a reasonable number of members who are both able and willing to sign up. If you don't already have a section on your membership form which asks the question, a mention in your newsletter asking for those willing to gift aid to let you know, will establish the popularity of such a scheme, although you will not know for sure until you launch it.

CHARITY REGISTRATION

If you are in England and Wales and your income exceeds £5,000 you are required to register with the Charity Commission and will not be considered for gift aid until you have done so.

If you are in Scotland and not registered with the Office of the Scottish Charity Regulator you cannot apply for gift aid.

In you are in Northern Ireland you will be required to register immediately.

CHARITY RECOGNITION - HMRC

All U3As which intend to apply for gift aid, must register their details online at <https://www.gov.uk/charity-recognition-hmrc> so that you are recognised by HMRC as a charity for tax purposes. On this form you are required to provide proof of your charity registration, copies of bank statements, copies of accounts and evidence of activities. You will also be asked to nominate your authorised official(s), who will be the only one(s) who can make your gift aid claims and your responsible persons i.e. your trustees whom HMRC will contact in the absence of the authorised officials. Please note you do **not** have to wait until your first AGM to apply.

You will receive a letter with a reference number, which you will need to keep safe and accessible as you will need to quote it when you make a claim.

You must keep HMRC informed of any changes to the submitted information (<https://www.gov.uk/report-changes-charity>).

SAFE PROCEDURE TO FOLLOW

1. Write a letter to HMRC, Charities Technical Team S0708, PO Box 205, Bootle L69 9AZ and provide the following information:
 - Your objectives as an educational charity.
 - Your membership fee and everything included in that fee.
 - Anything which incurs an extra payment e.g. a monthly meeting with a speaker.
 - The per capita fee membership fee you pay to your national organisation.
 - Err on the side of providing too much information even if it seems trivial.

NB. If you allow occasional attendance by non-members at a U3A meeting/event, which is free to your members but you make a charge or you charge non-members more than your members, that will be assessed as a monetary benefit to your members, (which cannot exceed more than 25% of the subscription), and will affect your claim, so make it donation only or free.

Also if you are offered a discount by a local supplier you must make it clear when you inform your members that the supplier came to you with the offer, because if you negotiate a discount on behalf of your members it will affect your claim.

2. Ask HMRC whether on the basis of the above, it can confirm in writing whether you qualify to gift aid your total subscription amount. You may well be asked to provide additional information on expenditure relating to certain perceived benefits. If you need advice, contact the National Office.

IF SUCCESSFUL

1. Keep the letter from HMRC safe – we suggest you have a few copies.
2. Get all your trustees to fill in a Fit & Proper Persons Declaration which is a statutory requirement and should be held in your files (<https://www.gov.uk/government/publications/charity-tax-relief-model-declaration>). In signing such a declaration, your trustees are confirming that funds, including those received through tax relief, will be used only for charitable purposes and that they have no information to disclose that may impact on whether they are ‘fit and proper’.
3. Obtain a Gift Aid Declaration (either a hard copy or by email) which can apply to all subscriptions from now and in the future and those paid in the last four years from all your tax paying members who have agreed to sign up. Ensure you store them securely (on paper, scanned or electronic) for a minimum period of 6 years, as they need to be available for review/examination by HMRC if requested. You do not require a signature.

You are strongly advised to use the recommended HMRC model which you can find at <https://www.gov.uk/government/publications/charities-and-casc-gift-aid-declaration-forms-for-multiple-donation> but if you want to design a form yourselves, you must use the same wording.

In the case of joint (which must be a level of membership offered and publicised by your U3A but not necessarily discounted), when only one person is a tax payer, it is acceptable for that person to claim gift aid on the full amount, providing the payment does not come from the non tax payer’s account. If both are tax payers a declaration can be made either jointly or separately.

HOW TO MAKE A GIFT AID REPAYMENT CLAIM

There are three ways to claim tax repayments from HMRC Charities:

1. Claim online using the Charities Online Service for which you must enrol.
The online spreadsheet form has fields you must fill in and it automatically checks that the information has been entered in the correct format. You can claim up to 1,000 gift aid ‘donations’ by completing and attaching a schedule spreadsheet to the online claim form. There is no limit to the number of claims you can submit i.e. if you normally send one claim with 2000 ‘donations’ you can submit 2 claims online.
2. Claim through your own internal database.
This option is really only for organisations which file gift aid claims for more than 1,000 ‘donations’, which is not appropriate for most U3As. However, those who fall into that category and wish to use this method rather than the one detailed above will need to develop a compatible software package or find a suitable package from a software provider.
3. Claim manually using a paper claim form ChR1 (for under 1000 donations).
You must use an **original** form for each claim, which you can order by contacting the HMRC Charities Helpline on 0300 123 1073; photocopies will not be accepted. You can send in as many forms as you like but you can only claim for up to 90 ‘donations’ on each form. Make sure you keep copies of everything you submit.

For further details on how to claim go to http://www.hmrc.gov.uk/charities/gift_aid/reclaim.htm.

TIME LIMITS FOR MAKING A CLAIM

You can make a claim whenever you like but claims must be made no later than four years after the end of the accounting period to which the claim relates.

RECEIVING A REPAYMENT

If you have claimed online, claims are normally paid in a few days but can take up to 15 days. Claims made using form ChR1 will take approximately 4 to 5 weeks. If it is your first claim you should allow a further 2 weeks for payment to be made.

Remember to advise your members when your claim has been accepted and your first payment received and to stress to them that if they find themselves paying insufficient income and/or capital gains tax to equal or exceed the gift aid claimed on all their donations in a tax year, it will be their responsibility to pay the difference.