



GIFT AID : Changes announced in the Budget, 12th March 2008

Transitional Relief Announced

The Church of England has welcomed the transitional relief arrangement announced in the Budget for Gift Aid claims by charities over the next three years. In the Budget speech, the Chancellor, Alistair Darling, announced a transitional rate of relief of 22 per cent to cover the tax years 2008/09 to 2010/11. This retains an estimated £8m per year that would otherwise be income lost by Church of England parishes.

When is the additional relief due?

The relief is due on any donations a church or charity receives from 6 April 2008. So when you make your claims for 2008 donations, you will need to complete 2 schedules:

- One for the period from 1 January to 5 April 2008 at the 22% rate (28.2 p per £1 donated), and
- one for the period from 6 April to 31 December at 20% rate (25p per £1 donated).

You will not need to claim the additional relief as it will be added to your claim automatically by HMRC.

HMRC will not be able to make any payments of the additional relief until the budget receives Royal Assent (approximately July). If you make regular Gift Aid claims and you claim for donations received in the 08/09 tax year before this, then the additional relief will be sent afterwards. After this, HMRC will pay the Gift Aid and transitional relief at the same time.

Parishes are advised to submit an interim claim during the year for the January to April 5th period.

Simplifications Brought In

The Treasury also announced a package of measures designed to smooth the processes used for claiming Gift Aid, and auditing these claims.

Claiming Gift Aid on ad-hoc smaller donations

With immediate effect, an adjustment is being made to the Gift Aid claim process to allow smaller donations of no more than £10 to be aggregated up to £500 per line. Each line should be described as "Gift Aid donations less than £10 : November 08 £380" or similar. There is no limit of the number of lines that can be aggregated on each claim.

This means that charities who have collected donations of money for which they have also received a Gift Aid Declaration (GAD), have the option of making a claim on form R68 without having to list all the individual donor names on the form. For churches, this usually refers to one-off Gift Aid envelopes.

The underlying GADs must be kept for individual donations and this procedure will only apply to charities where collections have been made with a supporting GAD.

Gift Aid Audits

HMRC will now operate a "de minimis" error level of 4% below which charities who claim a total of less than £2,500 in Gift Aid repayments each year will not be penalised for errors in their Gift Aid claims.

Further, HMRC will accept that where charities and churches can repair errors identified in a population within an audit sample, they will extrapolate that repaired error rate across the population rather than the error rate found in the first instance. 'Repaired' means that the charity finds the missing declaration, or obtains a new (or fully completed) declaration from the taxpayer.