



GUIDE 1: Getting started with Gift Aid

What is Gift Aid?

Gift Aid is a scheme enabling churches and charities to reclaim tax paid by a donor on eligible donations. It's a generous scheme offered by the government to incentivise charitable giving, and it's well worth taking advantage of the scheme.

Through Gift Aid you can increase every eligible donation to your church by 25% (25p on every £1 donated) at no extra cost to either the donor or your church. Let's say you pay basic-rate tax and you take £10 from your pocket and put it in your church's collection plate. You paid £2.50 tax on that £10 - you earned £12.50 which was taxed at 20% leaving you with £10 after-tax income. If you gift aid your donation of £10, your church can reclaim that £2.50 tax from HMRC and add it to your donation. Thus for every £10 you give to your church, your church gets £12.50; £10 from you and £2.50 from the taxman.

How much is Gift Aid worth to the Church?

Church of England parishes collectively reclaimed a whopping £80m from HMRC through the Gift Aid scheme in 2013! That's sufficient to pay for 1,600 clergy and shows just how valuable the Scheme is to the Church. It is also a tribute to the hard work of volunteers running Gift Aid programmes in parishes throughout the country. Since the year 2000, when £46.7m was reclaimed through Gift Aid, there has been a 72% increase in the amount of money reclaimed from HMRC by churches through the Gift Aid scheme. That said, we still don't reclaim Gift Aid on all eligible donations so there is scope to increase the amount of Gift Aid reclaimed by the Church even further.

How to get started

So how do we get started with running a Gift Aid scheme in our church?

- First, your church needs to register with HMRC (most have already, even if you haven't claimed for a while).
- Second, you need to make sure that all your eligible donors have completed Gift Aid Declarations.
- Third, you need to keep records of all eligible Gift Aid donations made to your church, along with the donors' Declarations.
- Finally, periodically you need to submit a summary of all eligible donations to HMRC and HMRC will then pay the reclaimed tax into your church's bank account.

Registering with HMRC for Gift Aid, Gift Aid Declarations, envelopes, record-keeping and submitting a claim are all covered in the separate guidance notes in this series. It's a good idea to appoint a Gift Aid officer to run Gift Aid in your church. In some churches, the treasurer is also the Gift Aid officer; other churches appoint a separate person to share the workload. See our 'Suggested job description for a Gift Aid officer' guidance sheet.

What about non-taxpayers and higher-rate taxpayers?

Your church can only reclaim tax on donations from people who have paid tax in the first place. Some people who are on low incomes or pensions will not therefore be eligible to Gift Aid their donations. Whilst we encourage all parishes to make sure that they reclaim Gift Aid on all eligible donations, it is important that you do not try to reclaim Gift Aid where a donor has not paid tax; that would be fraudulent and is obviously not acceptable. There is now the Gift Aid Small Donations Scheme which allows churches to claim a Gift Aid style payment on up to £5,000 of eligible donations. See our separate guidance note on the scheme.

It is also important that you promote Gift Aid sensitively; make sure that you do not make those on low incomes feel undervalued because they cannot give by Gift Aid. Remember that often, those on the lowest incomes give proportionately far more generously than those who earn more.

Only basic rate tax can be reclaimed through Gift Aid, even if the donor is a higher rate taxpayer. However, there are opportunities for higher rate taxpayers to maximise the value of their donation to your church through Gift Aid (see separate guide for higher rate taxpayers) and this should be promoted. Of course, people who pay higher rate tax may be sensitive about their higher income level too, so whoever handles Gift Aid in your church will need to do so discreetly and sensitively.

Can our diocese help us get started with Gift Aid?

Your diocese will almost certainly have a Stewardship Officer or similar who will be able to offer advice and support. Some dioceses (including Canterbury, Lichfield, Liverpool, Manchester, Peterborough, Portsmouth, Southwell & Nottingham and Worcester) even offer a Gift Aid service to their parishes whereby the diocese reclaims Gift Aid tax on behalf of a number of parishes, so check the options with your diocesan office before you launch your own.

Disclaimer: The Parish Resources Gift Aid Guides in the series are intended as guidance only. You should consult HMRC or other professional adviser if you are in doubt as to the Gift Aid regulations. This Fact Sheet was produced in August 2015 and is available to download from the Parish Resources website at <http://www.pariahresources.org.uk/giftaid.htm>