



GUIDE 7: Understanding When You Can't Claim Gift Aid- the Benefit Rules

(v2: 15th August 2015)

Overview

This Guide helps you understand the benefit rules. All parishes are advised to read at least the first and last page of this guidance on the Gift Aid benefit rules. It will help you understand when you can and can't legitimately claim Gift Aid.

Overview

The Gift Aid Rules are complicated, but there are two basic principles which underlie these Rules and will help you assess when you can and can't claim Gift Aid. More details on specific unusual situations ('can we claim Gift Aid on auctions of promises if...' etc) are set out in the previous guide.

1) Gift Aid only applies to gifts of money from individuals who are UK taxpayers.

- ⇒ 'Gifts' – that is, the donor receives nothing (or very little) in return for the donation, and the gift is entirely voluntary. The donation must have been an offering made freely with no benefit to the donor (or again, with very little benefit; the limits or '*benefit thresholds*' are defined below).
- ⇒ 'Money' – that is, there must be a gift of money from the donor to the church. 'Money' can mean cash, cheque, bank transfer, credit card payment etc, but gifts in kind and gifts of time and talents are not directly eligible for Gift Aid.

2) All Gift Aid claims must be supported by a sound audit trail so that the church can prove the claim was valid.

- ⇒ 'Sound audit trail' and 'proving the claim was valid' – that is, complete records for each donation must be kept safely for at least 6 full tax years after the donation, and these records must include valid Gift Aid Declarations covering all donations.

In the next couple of pages we explain the benefit thresholds in more detail. On the last page is a summary of occasions when you definitely can't claim Gift Aid.

The benefit thresholds (limits on the value of benefits donors can receive)

The basic rule (see p.1 above) is that Gift Aid is only applicable to gifts, and so the donor must not receive anything of value in return for his/her gift. Otherwise, the gift becomes in effect a transaction or purchase and is not eligible for Gift Aid.

There are however exceptions: a donor may be given promotional literature or an item of very low value such as a biro or badge. HMRC has set a maximum value of any benefit that a donor may receive as a result of a gift. This is called the '**relevant value test**.'

The **relevant value test** means that a donor to the church cannot receive from the church any item or benefit whose value exceeds the HMRC maximum. If a benefit does exceed the maximum value allowed, the donation is no longer eligible for Gift Aid. These limits apply separately to each individual donation made; ie you cannot argue that because you received no benefit for x donation, you are therefore entitled to a larger benefit for y donation. The limits are set out in the table below.

In addition, there is an '**aggregate value test**' which says that where a donor has made a number of donations and received a number of benefits, the total value of benefits received by the donor in one tax year must not exceed £500 (or £250 for donations made up to and including 5 April 2007).

The 'Relevant Value' Table

This table shows the maximum value of the benefit a donor can receive in exchange for different sizes of donation, if the donation is to be valid for Gift Aid.

Amount of donation	Benefit value limit
£0 – 100	25% of the donation
£101 - £1,000	£25
Above £1,000	5% of the donation

Beware that a benefit need not be a physical item or be purchase-able; any service rendered to a donor may invalidate Gift Aid. For example, acknowledging a donor's gift in a newsletter is fine, but this must be a simple acknowledgement; if it were combined with an advertisement for the donor's business, this would arguably constitute a benefit to the donor and Gift Aid may not apply to the donation.

Further, the benefit need not be provided by the church itself; any benefit, whatever the source, received by the donor as a result of his/her donation can invalidate Gift Aid. For example, if the local shop or theatre or any other third party offered a discount voucher or free ticket etc to anybody donating to the Church Restoration Appeal, that discount or freebie would still count as a benefit resulting from the donation and would mean the church could not claim Gift Aid on the donation (unless the discount/freebie offered was low enough in value to pass the relevant value test).

Beware also that the *value of the benefit* means the *market value*, not the cost to the church. Say, for example, the local restaurant offers a free meal to all major donors to the Church Restoration Appeal. The benefit value of the free meal would be the menu price, even though the cost of the benefit was zero for the church and the cost to the restaurant providing it will be well below the menu price.

It gets even more complicated when the market value of a benefit cannot be assessed, ie where the benefit is not usually for sale commercially. For example, say a couple of youth group members offer to cut the lawns of any parishioners who donate to the youth group minibus appeal. It is difficult to determine the market value of this benefit to the donor, and so it is difficult to know whether the benefit is small enough to fall within the relevant value limits. But before you give up in despair, HMRC is not likely to worry too much about this particular scenario; we are simply illustrating that the benefit rules are not straightforward. (Incidentally, the way to avoid the issue is to make sure that the lawn-mowing has no explicit connection with the donation. If the youth group mowed the lawn of a non-donor as well as of donors, arguably the lawn-mowing is an act of good-will and not a benefit exchanged for a donation.)

The benefit rule also applies to a fundraising meal, eg where parishioners pay £5 for a pie and pea supper; that £5 cannot be Gift Aided, because the donor receives a benefit (pie and peas) in exchange for his/her £5. It does not matter that the local butcher donated the pies, or that a parishioner hates peas and is only coming along 'because it's for a good cause.' The £5 is effectively a ticket purchasing a benefit. It is not a gift, so it cannot be Gift Aided.

The same is true if a parishioner pays a 'registration fee' of £10 for a sponsored abseil down the church tower. The parishioner is getting a benefit (the opportunity to abseil down the tower, the use of the safety equipment etc) and so the registration fee cannot be Gift Aided. Gift Aid on sponsored events can be tricky and in some circumstances, some of the sponsorship may not be eligible for Gift Aid either. More details on sponsored events, harvest suppers, auctions of promises and other specific situations where benefits might be involved are given in Guide 6: 'Can we claim Gift Aid on...?' You can also read HMRC's full guidance on the benefits rules and how to apply them at: <https://www.gov.uk/gift-aid-what-donations-charities-and-cascs-can-claim-on#the-benefit-rule>

Below is a list of payments your church might receive when it definitely can't claim Gift Aid. See also Gift Aid Guide 7 for more examples of Gift Aid cans and can'ts.

Payments that don't qualify for Gift Aid

As you will have gathered, it is not necessarily easy to state categorically what church events will and won't be eligible for Gift Aid. Here (paraphrased for the church) are HMRC's examples of payments where you cannot claim Gift Aid:

- Donations of money from a company
- Gifts made using 'charity vouchers' or 'charity cheques' provided by another charity e.g. CAF or Stewardship. This is because tax has already been reclaimed on these.
- Gifts made on behalf of other people. For example, Mrs Smith might pay for a Christmas Dinner ticket on behalf of Mrs Jones. This is a gift from Mrs Smith to Mrs Jones, not a gift made to the church.

- Gifts that come with a condition about repayment. Short-term loans (or indeed loans of any type) are not eligible for Gift Aid either.
- Loan waivers or debt conversion. For example, an individual may lend money to your church and then, at a later date, agree that it does not have to be paid back. This is not technically a gift of money; it is the waiver of a loan.
- Gifts with enforceable conditions about how your church should use the money. If, for example, the local florist makes a donation to the church on condition that the church then buys all of its flowers from the florist, the florist's donation could not be Gift Aided.
- Payments received in return for goods or services, such as payment for admission to a concert, payment for a raffle ticket, an entrance fee for an adventure challenge event etc. These are payments, not gifts.
- A 'minimum donation' where there is no choice about payment. For example, a church might charge a 'minimum donation' for entry to a Quiz Night. This is actually a fee or ticket for goods or services, not a donation.

The simple rules of thumb are:

- ⇒ Gift Aid only applies to gifts of money where there is negligible benefit in return;
- ⇒ If in doubt, check before you claim!

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>