



## GUIDE 8: HMRC Audits

(v2: 15th August 2015)

### Overview

This guide explains what happens in the event of an HMRC Gift Aid audit. Churches may be audited by HMRC to check that they are complying with the Gift Aid rules. HMRC has a duty to make sure it is paying out the correct amounts of money via the Gift Aid Scheme and it has a right to inspect your records accordingly. You may have to repay to HMRC some or all Gift Aid you have claimed in the past if you do not have the paperwork to prove that it was claimed validly, with interest on top and possibly even a penalty fine. It is not enough to be honest; you have to be able to prove that you were.

That said, you will receive at least 4 weeks' notice if HMRC wishes to audit your Gift Aid records, so you will have time to get the paperwork in order. See our guide on the Records you must keep to ensure you've got everything you need. The audit process should not worry you as long as your records are adequate. A small number of immaterial errors will be overlooked, and HMRC says it will not, as a matter of principle, usually seek repayments from charities which claim Gift Aid of less than £2,500 per tax year.

It tends to be larger charities which are checked most frequently, although some churches and other charities are selected for audit at random so do not worry if yours is one of them. One tip: it is worth making sure that your Gift Aid reclaim is paid into the same bank account each time you make a claim as HMRC is on the look-out for Gift Aid monies being misappropriated so paying the reclaim into a different account could trigger an audit. A sudden increase in the amount reclaimed might also trigger an audit.

Ultimately, as long as you have complied with the Gift Aid rules and kept adequate records to prove it, you should have nothing to worry about – although a survey in one diocese found that 26% of churches were at risk of failing to meet HMRC requirements! Do be meticulous in your Gift Aid processes and try not to lose Declarations or other records. Some parishes appoint a Gift Aid Officer to lighten the treasurer's load and make sure the person dealing with Gift Aid has time to do the job properly.

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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>