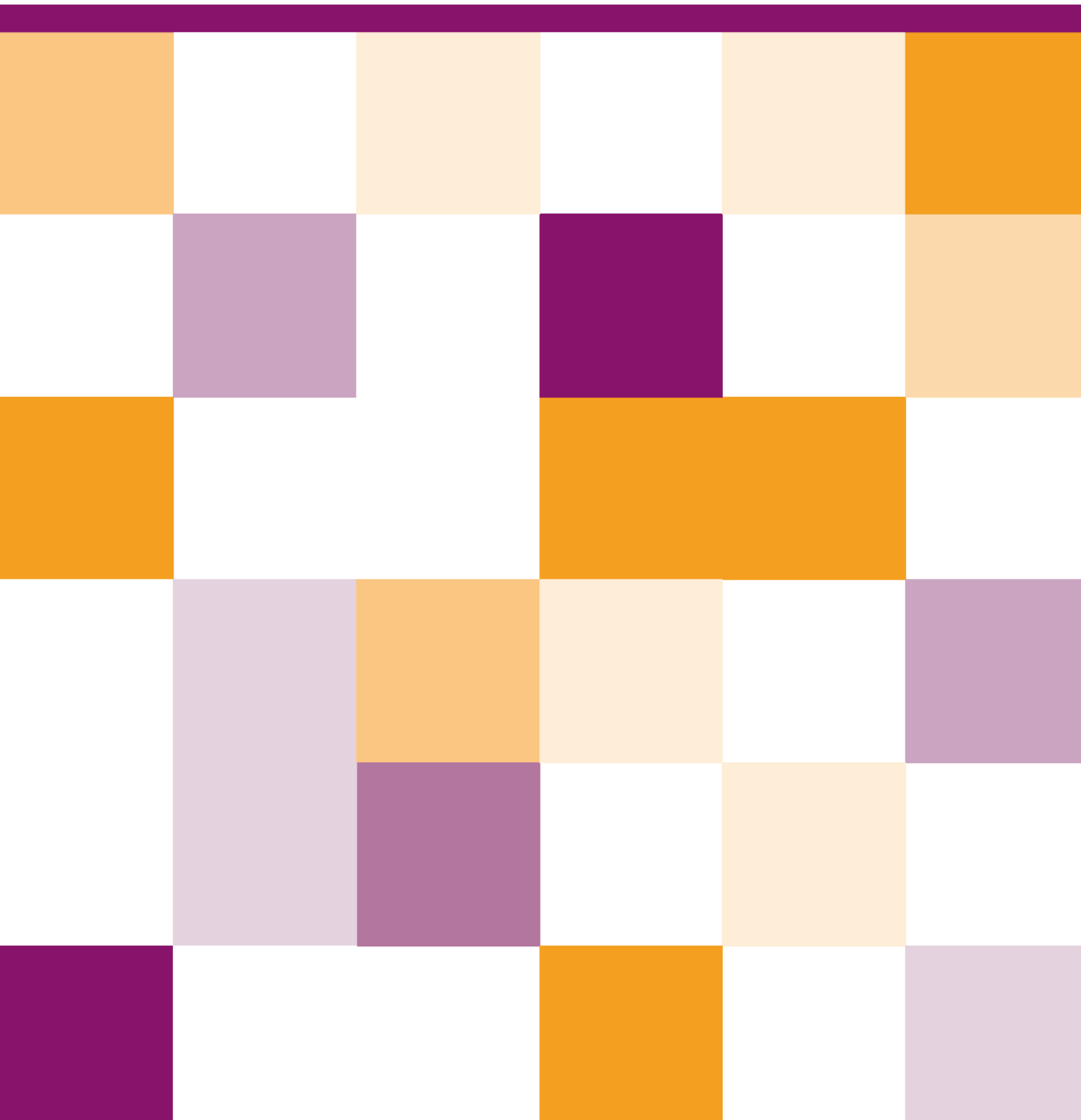


Gift Aid: 'Umbrella Charities' factsheet



Gift Aid 'Umbrella Charities'

This factsheet explains how community groups and voluntary organisations, that have not applied to HMRC Charities for recognition as a charity, can still access the generous Gift Aid tax advantages through registered charities known as 'Umbrella Charities'.

Which charities can claim tax relief on Gift Aid donations?

Only bodies recognised as charities for tax purposes by HMRC Charities can claim tax relief on Gift Aid donations. The following charities can apply to HMRC Charities for recognition as a charity for tax purposes:

- any charity in England or Wales that is registered with the Charity Commission,
- any charity in England or Wales that is excepted or exempt from registration with the Charity Commission (including those with annual incomes below £5,000),
- most charities in Scotland that are registered with the Office of the Scottish Charity Regulator (and some organisations that cannot register with OSCR),
- charities in Northern Ireland

Find out how to apply to HMRC Charities for recognition as a charity:

http://www.hmrc.gov.uk/charities/guidance-notes/chapter2/chapter_2.htm

Find out more about Gift Aid: <http://www.hmrc.gov.uk/charities/giftaid-charities/how.htm>

Not a registered charity and / or not recognised by HMRC Charities?

Some local community groups and voluntary organisations may be too small to consider registering as a charity, or applying to HMRC Charities for recognition as a charity for tax purposes, although they may be established with charitable purposes for the public benefit.

Some small charities may be registered with a charity regulator (the Charity Commission or Office of the Scottish Charity Regulator), but may not want to apply to HMRC Charities for recognition for tax purposes, perhaps because they are only expecting to receive one or two donations.

These community groups and charities can still benefit from the generous Gift Aid tax advantages that are available, by encouraging supporters to donate through an 'Umbrella Charity' that is recognised by HMRC Charities for tax purposes. The term 'Umbrella Charity' in this context is used to describe a charity that is set up to serve the needs of local community groups and voluntary organisations, by fulfilling general charitable purposes or particular charitable purposes.

Organisations such as Councils for Voluntary Service, Community Foundations, Rural Community Councils, County Voluntary Councils and other similar local infrastructure bodies may be able to act as an 'Umbrella Charity' for these purposes.

How to register as an 'Umbrella Charity'

The usual rules on registration with a charity regulator apply, and once an Umbrella Charity is recognised by HMRC Charities for tax purposes it can be used as an intermediary to direct Gift Aid tax relief to local groups with a charitable purpose.

We recommend that anybody wanting to establish a new charity first obtains advice from the relevant charity regulator.

- More information on setting up a charity:
http://www.direct.gov.uk/en/HomeAndCommunity/Gettinginvolvedinyourcommunity/Charitiesandcommunitygroups/DG_066666
- More information from the Charity Commission on when the promotion of the voluntary sector for the benefit of the public is a charitable purpose:
<http://www.charitycommission.gov.uk/publications/rr13.asp>

Here's how it works:

- A supporter of a local community group decides that he wants to give the group £100 to help fund a particular project
- He makes a £100 donation to a local Umbrella Charity and completes a Gift Aid declaration; the Umbrella Charity can then reclaim £25 tax from HMRC
- The supporter provides all of the details of the community group project to the trustees of the Umbrella Charity, and asks the trustees to consider making a grant to support that project
- The trustees decide that supporting the project falls within one of the Umbrella Charity's stated charitable purposes, and pays £125 to the community group (the supporter can remain anonymous to the community group if he chooses)

Important points to remember:

- As with any charity, the trustees of an Umbrella Charity must act independently and must ensure that they are acting wholly within their charitable purposes. This means that they are free to decide not to support any particular project if it does not fulfil their charitable purposes, and can decide to apply donations to another cause instead.
- The trustees should take steps to ensure that the funds paid to community groups, local voluntary organisations and other beneficiaries are in fact applied for charitable purposes only.
- To qualify for Gift Aid, donations must not be repayable to the donor if the trustees decide not to support the donor's chosen cause.

- If the donor or any person connected with the donor receives any benefits in connection with his donation, whether from the Umbrella Charity or the group or organisation eventually receiving the funds, the donation may not qualify for Gift Aid.

Local groups or voluntary organisations that choose not to apply to HMRC Charities for recognition as a charity for tax purposes may have taxable income and must notify their local HMRC office of any liability to tax.