

**Gift Aid Consultation event
Bristol 17th August**

SUMMARY NOTES

PLENARY SESSION

Ideas raised in the opening plenary session included looking at rising administrative costs for charities claiming Gift Aid, protecting Gift Aid for visitor admissions, and easing administrative burdens for Gift Aid on charity shop sales. Delegates also discussed the need for training and standardisation of rules and guidance through the production of Gift Aid toolkits by HMRC. They also highlighted perceptions of the HMRC audit and a general fear of error rates being extrapolated over a large number of claims. This was a particular issue for smaller charities.

BREAKOUT SESSION 1 – Record Keeping and Auditing

At break-out sessions on record keeping and auditing, donors identified several key barriers. Charities noted that record keeping systems differ according to fundraising method, while further complexities emerge as forms of giving increase (for example, direct debit) or for specific types of charity. Sponsorship forms, collections at funerals and charity auctions were also cited as problematic.

On auditing, several of those present had experienced an audit and a general fear of the audit process was noted – volunteers, in particular, were reluctant to make mistakes that might affect the charity – particularly given that even small error rates can have significant impacts. It was also noted that since 2004, a toughening of audits appeared to have come into effect with some inconsistent interpretations from HMRC. That said, many of those who had been audited noted that auditors were usually helpful.

The group also discussed HMRC guidance, which they felt was not always clear. Some had received conflicting advice from various HMRC sources while others complained that they were not always aware when small changes to guidance had been made. One recommendation was to have a single point of contact for Gift Aid guidance – this does currently exist but perhaps it could be better publicised.

BREAKOUT SESSION 2 – Donor Uptake

Many of those present felt that Gift Aid does not encourage giving. Some perceived barriers were that donors were reluctant give out personal information, do not understand how Gift Aid works or just do not understand the form. There was a general feeling in all groups that there was a lot of donor misunderstanding of Gift Aid – and some element of ‘fear factor’ about the consequences of making a Gift Aid declaration. Taxpayers may think that it will require them to

complete a separate tax return, or invite unwelcome HMRC attention to their tax affairs. It was also suggested that people are also slow to give full name and address to charities for fear that this will be used for marketing purposes.

The groups also felt that another barrier to overcome is uptake amongst higher rate donors. A key issue is that few higher rate donors seem to keep records of donations. An additional tick box on declaration forms for higher rate donors was suggested so that charities could claim higher rate tax relief back on the donor's behalf. However, some thought that higher rate donors may actually consider the tax relief when calculating how much to give. Attendees also felt that the time lag between making the original donation and the point at which the donor's tax bill is calculated was reducing uptake of the higher rate relief. Promoting the higher rate relief to donors was also suggested, either on a mass scale or through charities advertising the relief directly to donors. Some delegates also felt that there was a role for financial intermediaries in promoting the relief when advising their clients.

IDEAS WORKSHOP 1 – Discussion of tax relief v spending

Rather than hold a workshop, delegates chose to dedicate one of the afternoon sessions to a discussion of some of the more radical proposals for changes to the Gift Aid system and the consequences these would have for Gift Aid. Proposals included introducing an opt-out scheme and composite rates for smaller donations, or for smaller charities. Delegates were keen to see the reduced burdens and increased income that they thought these types of measures would bring, but had reservations about moving too far away from the current form of Gift Aid, which was seen to have many benefits.

IDEAS WORKSHOP 2 – Guidance and awareness

In the second afternoon sessions, delegates were asked to consider what guidance and awareness tools could benefit the sector and build upon current guidance.

The group felt that the current guidance was not always clearly presented and that charities struggled to understand Gift Aid requirements. They also noted that the Internet was not always the most appropriate communication tool, particularly for smaller charities with volunteers who don't always have access to the Internet. Instead, they called for greater availability of other forms of guidance and training, and for simple forms and checklists. One proposal was to produce a simple booklet, available in minority languages. The key message was simplicity of guidance.

Delegates also noted that advice from local tax offices was often conflicting and suggested that HMRC make people more aware of the Bootle office, which specialises in Gift Aid and encourage fundraisers to use it as their single point of call for queries.

Other suggestions included an aide memoire of evidence requirements for audits, a list of common audit errors, and training and educational visits from tax officials. Delegates also saw a role for umbrella bodies in disseminating guidance, training and best practice.