

**Gift Aid Consultation event
Edinburgh 9th August**

SUMMARY NOTES

PLENARY SESSION 1

Delegates discussed the impact of the change in basic tax rate and the remit of the consultation, and ways of shifting responsibility for establishing a donor's tax status to the government or an independent body, including by exploring the use of a central donor database, or 'donor card'. They also considered administrative burdens of operating Gift Aid and barriers for small charities and those unaware of their eligibility to claim Gift Aid. Gift aid on admissions, sponsorship events and charity shop sales were highlighted areas of difficulty for charities. The group also questioned whether it would be possible to introduce a "composite" rate of Gift Aid or operate Gift Aid on an opt out basis.

BREAKOUT SESSION 1 – Record keeping and auditing

Attendees raised concerns about record-keeping requirements, both in terms of the time and space needed to keep these records, but also many had data protection concerns about large quantities of personal data on donors being stored by charities. Difficulties understanding procedures for sponsorship forms and joint declarations were raised and delegates called for simplification and clarification of HMRC guidance, together with the development of standard HMRC forms, tools and a best practice guide to Gift Aid. They also suggested that HMRC auditing requirements can discourage some charities from making Gift Aid claims, particularly on smaller donations, and called for the six-year retention period to be reduced.

Delegates also highlighted specific difficulties associated with the higher rate relief, in particular, identifying and targeting higher rate donors. Some felt that there was need for a government promotional campaign to increase awareness of the higher rate relief amongst donors. Another key suggestion was that donors could be issued with a Gift Aid 'donor card' with a unique ID number that donors could use when donating money. However, some delegates felt this would not actually reduce their administrative burdens. There was a general call for simplification and a lighter touch audit process – although most who had experienced audit had positive comments on the experience.

BREAKOUT SESSION 2 – Donor Uptake

Delegates discussed barriers to uptake, including awareness and misunderstanding, fear of giving out personal or tax information. Fear of identification theft was a growing concern, with donors less willing to hand out their personal details.

Suggestions to increase donor uptake included simplifying Gift Aid and undertaking a targeted marketing campaign, focusing on different donor groups and sectors. Delegates also felt there was a need to clarify what Gift Aid actually means to donors, as currently many don't seem to understand that they don't need to pay more money to charity to use Gift Aid, but that it comes from tax that they have already paid. Another proposal was introducing an alternative identifier for Gift Aid purposes, such as a donor card but some felt that uptake of the card would be difficult to promote and there was also doubt that people would always carry it.

Delegates also suggested making more fundamental changes to the system such as introducing a 'composite' rate that could be claimed without individual declarations or a de minimis limit, below which a donation could automatically be subject to Gift Aid, particularly on street collections. However, delegates also accepted that this could move Gift Aid away from its current form and some noted that admin burdens would be the same if not greater under a new scheme.

The groups thought that any advertising campaign needed to be clear and targeted, using simple, understandable language. This should be accompanied by training for charities, as delegates thought that lack of Gift Aid expertise amongst staff was preventing them from promoting the scheme amongst donors. Once again, it was thought that higher rates donors should be a specific target of Gift Aid promotion.

SMALL CHARITIES DISCUSSION SPACE

These sessions were facilitated by officials from HM Treasury's Charity & Third Sector Finance Unit, giving attendees a chance to network and share their views. Several key points emerged, including the importance of events fundraising to small charities, the need to relieve record-keeping and audit burdens that are acting as barriers to greater conversion of declarations to cash, and the risks around personal data being kept in people's homes.

There was strong consensus amongst delegates that the smallest charities at community level raise their funds overwhelmingly from events rather than donations or other sources. Thus clarification or easing of the eligibility rules for Gift Aid on events could make a significant difference for smaller charities. Delegates also felt that the cost of claiming Gift Aid weighs disproportionately on small charities – with no economies of scale to make it worthwhile, while corporate foundations can easily claim high proportions of gift.

Delegates were reasonably keen on the idea of a Gift Aid umbrella, whereby donations were channelled through a central body but questions arose over funding of the bodies and whether each local community had the infrastructure and resource to support such a venture. Finally, small charities were keen on more training, including providing basic information for donors and public. They also felt there was a role for larger charities in helping provide smaller charities with promotional templates.

IDEAS WORKSHOP 1 – Donor Uptake

This session looked at ideas emerging from the morning session on donor uptake and attempted to study them in more detail in order to work up more concrete proposals for change.

There was general call among delegates for simple 'guides for dummies' and templates. One suggestion was to introduce a Gift Aid 'starter pack' for all new charities registering with the regulator. Attendees also felt that the administrative costs of using Gift Aid outweighed the benefits for smaller charities so any drive to increase uptake should be aimed at reducing administrative burdens for small charities.

The group thought there was a need for a publicity campaign that would be undertaken annually. This would need to target different groups, such as tax-paying pensioners. Delegates also thought a campaign could usefully target charities, with the aim of better educating fundraisers on the lesser known schemes such as SA donate and the higher rate tax relief.

IDEAS WORKSHOP 2 – Record keeping and auditing

The session explored details and challenges emerging from the morning sessions. The chair asked for thoughts around a number of subject areas.

The group considered ways of simplifying the Gift Aid system. Delegates were attracted to a system that presumed a certain proportion of donations qualified for Gift Aid, although they accepted that this might be regarded as a spending measure rather than part of the existing Gift Aid tax relief.

The group considered a donor card system, containing details of the donor, such as their national insurance number. This system would be particularly beneficial to visitor attractions if it could also be operated as a swipe card on entrance. However, delegates also agreed that any donor card system would have to be centrally managed by HMRC and the process of promoting and issuing cards would be onerous and lengthy.

Finally, delegates called for greater availability of HMRC auditors to give advice and also for consistency of advice from different HMRC sources.