Using Gift Aid effectively

Supporters are much more likely to use Gift Aid if they are asked to do so and if they understand the valuable extra benefit that it brings to your charity without any additional cost to them. Make use of practical examples to explain in real terms what the Gift Aid money will enable you to do. If charities explain this in a consistent way and do so every time the donor is asked to give, it will increase general awareness and take-up of Gift Aid by the public.

Gift Aid – the logo

The brand logo was created by the Giving Campaign and can be used free of charge by any charity as part of its fundraising. The aim of the logo is to build brand recognition and so it is important that charities make use of it. The more it is used, the more potential donors will see a clear and consistent image of Gift Aid and become more confident about using it. In time, your donors should expect to be able to maximize their donation through Gift Aid whenever they give money to charity. The logo is available to download from www.wcva.org.uk/givingwales.

Promoting Gift Aid

When describing Gift Aid, you may wish to use one of these two standard descriptions:

‘Use Gift Aid and you can make your donation worth more. For every pound you give to us, we can claim back 25p from HMRC. So just tick here. It's that simple’.

or

‘Using Gift Aid means that for every £1 you give, we can claim back 25p from HMRC, helping your donation go further. This means that £100 can be turned into £125 just so long as donations are made through Gift Aid. Imagine what a difference that could make and it doesn't cost you a thing. So if you want your donation to go further, Gift Aid it. Just tick here. It's that simple’.

Promotional materials are available to download from www.wcva.org.uk/givingwales

Fundraising opportunities

Gift Aid can be used successfully with different fundraising mechanisms. Membership subscriptions and regular donors are commonly felt by charities to be the easiest methods of fundraising to claim Gift Aid on (HMRC/CAF, 2008). Different approaches can be used to convert donors to Gift Aid from mailing existing donors to calling them on the telephone. NfpSynergy (2004) found that solus mailing (one where the only response requested is for Gift Aid conversion) had been tried by only 25% of charities but that where it was used it was highly successful. Face-to-face (street) fundraising was also found to be a great success in converting donors to Gift Aid but is perhaps not as universally applicable to charities as 'solus mailings' which can be relatively cheap to carry out.

Membership

You can claim Gift Aid on membership fees provided the benefits do not exceed HMRC's benefit rules. Remember Gift Aid applies to donations where no benefit is rewarded to the donor in return for the gift i.e. it does not apply to payments for goods or services such as a ticket for an event. However a small token of appreciation or 'thank you' is allowed, for example a newsletter for members or small value of gift. For donations up to £100 the value of benefits must not exceed 25% of the donation.

Sponsored events

Make sure that sponsor forms have a Gift Aid tick box and that you get the name, home address and postcode of all sponsors. Gift Aid can be reclaimed on most sponsored events unless the participant is receiving a benefit (such as overseas treks or challenge events), in which case donations from themselves or 'connected persons' cannot be Gift Aided. A template sponsor form can be downloaded from www.wcva.org.uk/givingwales

Charitable attractions

New rules for claiming Gift Aid on donations made by visitors to charity property came into effect on 6 April 2006. The guidelines apply to any charity that traditionally charges for viewing property that is preserved, maintained, kept or created by the charity as part of furthering its charitable purpose. The guidelines allow more charities that charge an admission fee, such as gardens, art galleries and animal centres, to benefit from Gift Aid. To benefit from these provisions, most charities will have to place a greater focus on getting donations from visitors when they visit the attraction. Donations made instead of an entrance fee will only be eligible for Gift Aid if the visitor pays at least 10% more than the normal admission charge, or if they entitle visitors to get in to an attraction whenever it is open over a 12-month period, for example, through a membership scheme. See www.giftaidvisitor.co.uk for further information.

Donated goods

Gift Aid can be reclaimed on items donated to charity shops. This involves converting the item into a cash donation by the charity acting as an agent for the donor, selling the item and then offering the cash back to the donor. If the donor then chooses to donate the cash to the charity then Gift Aid can be claimed. A clear record linking donors to items and the cash they have raised is essential as is permission to Gift Aid the cash raised from that item. Sue Ryder Care pioneered the claiming of Gift aid on donated goods. See their website www.suerydercare.org/pages/gift_aid_in_our_shops.html. The Chancellor, George Osbourne, announced in the Budget 2012 that the Government will work with the charity sector to simplify the administration of Gift Aid for charity shops.

Auctions

In some cases part of the money bid for an item in a charity auction may be eligible for Gift Aid. This is only where the item has a clear market value which must be stated at the time of auction. For example, if a donor bids £700 for a pair of travel tickets that cost £500 then Gift Aid can be claimed on the extra donation of £200.

Collections

Gift Aid cannot currently be claimed on bucket or tin collections where there is no Gift Aid declaration or audit trail linking the donor to their donation. However if you use sealed collection envelopes with the Gift Aid declaration printed on them and keep appropriate records then you can claim Gift Aid on collections. Similarly you can claim Gift Aid on the collection boxes designed for use in donors' homes for their small change.

From April 2013 there will be a new Gift Aid Small Donations scheme to allow Gift Aid to be claimed on up to £5,000 of small donations (£20 or less) without the need for declarations (although charities will need to have been registered for three years before claiming).

Other mechanisms you can use to promote Gift Aid include advertising, inserts, annual report, cold mailings, magazine or newsletter articles. The success of Gift Aid relies upon it being promoted constantly and consistently.

Ten simple ways to increase your Gift Aid take-up

Donors like tax effective giving as it increases the value of their gifts without any additional cost to them and in the case of higher rate tax payers who can claim tax back, the benefits are not only for charity.

NfpSynergy (2004) suggest ten simple tips to help maximise your Gift Aid:

1. Nominate a Gift Aid ambassador – (staff or volunteer)

Nominate a person in your charity responsible for making sure that the organisation maximises the take-up of Gift Aid, and maybe even tax-effective giving as a whole. The individual should brief all staff and volunteers, new and old, about the benefits of Gift Aid and tax effectiveness. This would be a useful topic at AGMs and conferences.

2. Write a simple briefing on Gift Aid (and other tax-effective ways of giving) for all supporters.

As simple as Gift Aid is, it is often misunderstood or avoided due to ignorance. It is only to be expected that donors may have questions or concerns about Gift Aid, and a Q & A style briefing is an easy way to address these concerns.

3. Know your supporters and identify why some may not be able to Gift Aid

An essential element of any campaign is to understand your supporters and identify the barriers, both real (such as not paying tax or living overseas) and perceived (such as believing Gift Aid is a larger commitment). The easiest way to learn about your donors is to send a simple questionnaire and ask people key questions that will help you understand more about them.

4. Know your Gift Aid vital statistics and how much tax you could reclaim

You should know your percentage conversion of eligible donors.

5. Build your Gift Aid targets into your fundraising strategy

Gift-aid targets could be included in your annual report, in strategic plans and in people's individual performance objectives. What's a suitable target for Gift Aid? National charities have reached a conversion rate of 80% (to Gift Aid), though this may not be realistic for smaller organisations, many professional fundraisers believe that 75% (of eligible donors) is a realistic and achievable target.

6. Mail non-converters with a solus mailing

The advantage of a targeted mailing is that you can encourage people to tell you why they have not signed a declaration. This kind of feedback can be used to work out whether they are eligible or not (are income or capital gains tax payers).

7. Telephone all non-responders to a solus mailing

A follow up telephone call is an appropriate way to ensure that donors understand about Gift Aid. Given that higher rate tax payers can reclaim the difference between basic rate and higher rate tax through their tax return the benefits to Gift Aid aren't only for the charity

8. Put tax-effective giving on your trustee agenda twice a year

9. Develop fundraising income streams that complement Gift Aid

Develop income streams on which Gift Aid can be claimed (e.g. sponsored events, committed giving) rather than those on which it cannot (collecting tins and buckets, events).

10. Brief all staff and volunteers on the importance of Gift Aid and tax-effectiveness

Train, train and train again.

Tidying up

It is good practice to write to each donor at the end of the year. First of all, it enables you to thank them. Your letter should also note the amounts they have given, against which you are claiming from HMRC. The donor then has the exact figure to hand if they have to fill in a Tax Return, and they can also check that they have actually paid enough tax to cover their giving – important if someone's financial circumstances change over the year. *Remember that people can withdraw a declaration at any time*, *though it must be done in writing.*

Further information

Giving Wales
Helpline 0800 2888 329
givingwales@wcva.org.uk

Payroll Giving Scheme
www.charitablegiving.co.uk

Institute of Fundraising
www.tax-effectivegiving.org.uk

HMRC Charities
Helpline 0845 302 0203
charities@hmrc.gov.uk
www.hmrc.gov.uk

References

CAF (2009) *The public bond with tax-effective giving in the UK*
A survey of public awareness and usage of tax-effective giving methods

HMRC/CAF (2008), *Key Barriers to the Adoption of Gift Aid*

Disclaimer
The information provided in this sheet is intended for guidance only. It is not a substitute for professional advice and we cannot accept any responsibility for loss occasioned as a result of any person acting or refraining from acting upon it.

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Produced by WCVA, County Voluntary Councils and Volunteer Centres.
Last Updated:28/03/2012

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