

# Wales Council for Voluntary Action

Supporting charities, volunteers and communities

## 7. Finding and getting money

### 7.10.6 Gift Aid Record Keeping



HM Revenue & Customs (HMRC) has a duty to ensure that the Gift Aid scheme is used properly and has the right to inspect any charity's Gift Aid records. The basic requirement is that any charity operating a Gift Aid scheme must be able to demonstrate an audit trail from valid Gift Aid declarations given by your donors to the donations which have had tax relief reclaimed. How your charity does this is up to you and there are many software products available on the market to help you. Gift Aid records should be kept for a period of four years after the last donation (previously six years) and in the case of declarations that allow you to claim Gift Aid on all future donations you need to keep evidence of the declarations indefinitely. In its simplest form an audit trail for Gift Aid would contain a copy receipt of the donation being received, a declaration, and a copy of a bank pay-in slip.

### **The Gift Aid declaration**

All donors must give the charity authorisation to claim Gift Aid on their gifts; this evidence can be kept in a number of different formats as long as the same 'core' information has been gathered. This information can be obtained in person, over the phone, via the website, fax or email.

The declaration must include:

- The name of your charity
- The donor's name – title, first name and surname or simply initials and surname
- The donor's home address – N.B. must be their home address and not their work address. Must include at least the house name or number and postcode.
- The donation(s) to be covered by the declaration – may apply to single, regular or periodic donations. One declaration can cover all donations made to your charity in the past four years and all future donations
- Confirmation that the donor has paid enough tax (income or capital gains) within the financial year to cover the amount reclaimed by the charity.

***This can be explained most simply by the words:***

*“To qualify for Gift Aid, what you pay in income tax or capital gains tax must at least equal the amount that we [the charity] will claim in the tax year (currently 25p for every £1 donated).”*

Template Gift Aid declarations and Gift Aid Sponsorship forms can be downloaded from the Giving Wales website.

## Verbal Gift Aid declarations

When Gift Aid declarations are given verbally, written confirmation must be sent to the donor with an option of cancelling their declaration. The time allowed for this is 30 days and no Gift Aid claim should be made on their donation(s) during this time.

### Examples of satisfactory declaration records:

- Written Gift Aid declarations
- Ticked box confirmation, for example, on sponsorship forms with the donor's name (at least initial and surname); and residential address (at least house name or number and full postcode).
- Recording of declaration by the donor or a recording of the donor confirming a declaration if the declaration is pre-recorded by the charity
- A letter confirming the details of an oral declaration including the 30 day cooling off period
- Computer record of a declaration template filled in by the donor and containing a link to the donor's banking details
- E-mail copy of a declaration
- Computer 'screen print' of the declaration sent to the charity
- Scanned image of a declaration
- Copy of a mobile phone text message confirmation **of a declaration**

## Keeping records and claiming the tax

The best way to keep Gift Aid records is to have one loose record sheet for each donor and a separate summary sheet for totaling-up the claims. Each donor's 'page' should include their contact details, and a note saying whether they have or have not completed a Gift Aid declaration and the date from which it took effect. On your donor's sheet you should record:

- All donations from that person – date and amount
- Method of giving on each occasion
- Purpose of the gift (ie general or restricted fund)

**Record-Keeping Tip:** A good recording system will make it very simple to prepare your schedule, get the right figures to put on the HMRC form R68(i) and claim the tax back. If you fill in the R68(i) claim form on screen all the calculations will be done for you.

You can claim as often as you like although if you make more than one claim per year you must claim for at least £100. Some charities wait until the end of the year, others send off a claim every quarter, or more frequently, to help the cash flow. If you get an irregularly large gift, you might want to claim straight away. If you are running an Appeal, you will want to time the reclaim to fit in with the progress of the project. HMRC can pay your reclaimed money direct into your charity's bank account.

## **Gift Aid audit**

HMRC's Audit Unit has the right to carry out inspections of charities to check that claims are for the correct amounts and are backed by clear audit trails. HMRC decide who to audit using a risk assessment process based on, for example, problems seen in claims submitted by a charity; a rapid rise in claims made by a charity; no previous audit by HMRC of claims made; information from staff in HMRC about a charity; information from the public/in the press with concerns about a charity's Gift Aid claims.

The auditor will:

- Review accounting records, systems and procedures
- Check the calculation of claims
- Check on the wording of declarations
- Check selected Gift Aid declarations and sponsorship forms are valid
- Check banking records

## **De minimis error level**

Charities that claim less than £2,500 each year in Gift Aid will not be penalized for errors of less than 4%.

HMRC is willing to give advice to new charities (or existing charities implementing system changes).

If in doubt check with HMRC.

## Further information

### Giving Wales

Helpline 0800 2888 329

[givingwales@wcva.org.uk](mailto:givingwales@wcva.org.uk)

### Payroll Giving Scheme

[www.charitablegiving.co.uk](http://www.charitablegiving.co.uk)

### Institute of Fundraising

[www.tax-effectivegiving.org.uk](http://www.tax-effectivegiving.org.uk)

### HMRC Charities

Helpline 0845 302 0203

[charities@hmrc.gov.uk](mailto:charities@hmrc.gov.uk)

[www.hmrc.gov.uk](http://www.hmrc.gov.uk)

### 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.

### For further information contact

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