

Association of Accounting Technicians response to HMRC's consultation "Gift Aid Small Donations Scheme"

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1. Introduction

- 1.1. The Association of Accounting Technicians (AAT) is pleased to have the opportunity to respond to the HMRC “Gift Aid Small Donations Scheme consultation” (condoc), released on 20 April 2016.
- 1.2. AAT is submitting this response on behalf of our membership and from the wider public benefit perspective of achieving sound and effective administration of taxes and not from the perspective of an affected charity.
- 1.3. AAT has added comment in order to add value or highlight aspects that need to be considered further.
- 1.4. AAT has focussed on the operational elements of the proposals and has provided opinion on the practicalities in implementing the measures outlined.
- 1.5. Furthermore, the comments reflect the potential impact that the proposed changes would have on SMEs and micro-entities, many of which employ AAT members or would be represented by our operationally skilled members in practice.

2. Executive summary

- 2.1. AAT is responding to HMRC’s condoc which was issued in response to the 2015 Autumn Statement announcement that the planned review of the Gift Aid Small Donations Scheme (GASDS), which allows charities to receive a Gift Aid style top-up payment on small cash donations, was to be brought forward.
- 2.2. In its foreword the condoc states that tax reliefs worth over £4.5bn were paid to charities and their donors in the 2014-15 tax year and that the government remains committed to working with the charity sector to ensure that the GASDS is effective and benefits as many charities as possible.
- 2.3. While GASDS was welcomed by the charitable sector when it was first announced, it was not widely considered to be straightforward. In recognition of this fact the condoc sets out proposals for simplification and for ways to improve accessibility to the scheme.
- 2.4. AAT welcomes this review. However, AAT cautions that care should be taken in order to avoid replacing one level of complexity with another.
- 2.5. It should not be overlooked that many charities are led by volunteers and any new rules should be designed with this in mind, rather than designing rules predominantly driven by consideration for those with large fundraising departments (3.2, below).

3. AAT response to the consultation document on Simplifying the Gift Aid donor benefits rules

Question 1 – What would the impact on your charity be of the removal of the current legislative requirement that a charity must have been registered for at least two tax years (the two-year rule) before it can access GASDS? Would this change represent a meaningful simplification of the scheme? Please explain your answer.

- 3.1. AAT considers that the impact of the proposals is likely to be positive, and in line with the spirit of the original intention of the scheme, i.e. a simple method of increasing revenue for smaller local groups.
- 3.2. In many instances treasurers of small charities and Community Amateur Sports Clubs (CASCs) are volunteers and as a result may not understand the full requirements of the GASDS claim rules. As such this lack of a technical understanding will often lead to the submission of an incorrect claim.
- 3.3. Newly formed charitable organisations often experience difficulties with fund raising at the outset, it is therefore particularly essential for these new charities that all income received is maximised. AAT considers that the condoc's proposals would assist in meeting that objective.

Question 2 – What would the impact on charities be if the requirement that a charity must have made a successful Gift Aid claim in at least two out of the previous four tax years (the two-in-four rule) was changed to a requirement that a charity must have made a successful Gift Aid claim in the previous tax year only

- 3.4. AAT considers that the outlined easement would make a positive impact.
- 3.5. Furthermore, it would make it easier for both charitable organisations and HMRC, alike, to administer GASDS.
- 3.6. AAT would recommend that HMRC considers introducing a series of questions that the authorised person is required to complete, e.g. an online flow chart, as part of the claim in order to help ensure that correct claims are made.

Question 3 – Does your charity currently collect donations using contactless payment technology, or are you currently considering doing so in future? Please explain your answer.

- 3.7. On the basis that AAT is not a donation-collection charity it was not considered to be appropriate to respond to question 3.

Question 4 – Would expanding GASDS to include donations received via contactless credit and debit cards present any challenges to charities, particularly in terms of record keeping or other administrative requirements? Please explain your answer.

- 3.8. AAT considers that the current Gift Aid Scheme is sufficient for card donations as the receipt of monies via contactless-payment should be processed in the same way as cash receipts.

Question 5- Would the Government's proposal to allow charities to claim either under the main GASDS allowance or under the community buildings allowance, but not both, present any specific equality issues or generate any obviously unfair outcomes? Please explain your answer

- 3.9. The connected-charities section of the legislation is not widely known and as a result it is unlikely to be followed in practice. To address this shortcoming AAT recommends that HMRC should produce and publish clear guidance for trustees.
- 3.10. Assuming that this section of the legislation is to be retained then the proposal would be fair.

Question 6 – What impact would this proposal have on your charity?

- 3.11. On the basis that AAT is not a donation-collection charity it declines to respond to question 3.

Question 7 – Would relaxing the community buildings rules to allow donations to be received outside of the building itself allow more charities to claim under GASDS? Please explain your answer.

- 3.12. Such a relaxation may not in itself allow more charities to claim if the rules are complex. For example; specifying distance from the building increases complexity for volunteer treasurers. The interpretation of benefiting the local community can be varied.
- 3.13. To avoid the prospect of introducing complexity, AAT considers that existing practice should be maintained.

Question 8 – What reasonable requirements could be included to ensure that the relaxed community buildings rules still only benefit donations received in a specific local community?

- 3.14. GASDS was created for small local charities and the limits are set at a level that benefits such groups rather than larger charities.
- 3.15. All charities and CASCs are different. Some have a distinctly local focus serving a local community, while others operate across several boroughs.
- 3.16. AAT is of the view that limiting the definition of a community would be a negative aspect to change.

Question 9 – Are there any other reforms that you would like the Government to consider? Please provide details.

- 3.17. AAT understands that some charity staff and trustees are under the misconception that because a charity is not required to pay tax it does not need to submit a tax return. The charity usually becomes aware of the issue on receipt of a penalty-charge notice (£100) in respect of an overdue return.
- 3.18. The Charity Commission should consider liaising with HMRC, using its knowledge of Company Registration Numbers in order to identify charitable companies and to ensure that all affected companies are made aware of the tax return filing requirement.

- 3.19. The thresholds¹ for trading activities by charities have not been updated since they were implemented over ten years ago. Currently the amounts are:

Charity's gross annual income	Maximum permitted small trading turnover
Under £20,000	£5,000
£20,001 to £200,000	25% of your charity's total annual turnover
Over £200,000	£50,000

These should be increased to avoid charities having the cost of setting up trading subsidiaries.

4. Conclusion

GASDS is a useful source of income for small charities and the processes that are to be followed should be accompanied by clear and easily accessible guidance. This will benefit many additional charities as they may be encouraged to seek more ordinary gift aid donors in order to maximise claims made.

5. About AAT

- 5.1. AAT is a professional accountancy body with over 49,800 full and fellow members² and 80,900 student and affiliate members worldwide. Of the full and fellow members, there are over 4,200 licensed members who provide accountancy and taxation services to individuals, not-for-profit organisations and the full range of business types.
- 5.2. AAT is a registered charity whose objectives are to advance public education and promote the study of the practice, theory and techniques of accountancy and the prevention of crime and promotion of the sound administration of the law.

6. Further information

If you have any questions or would like to discuss any of the points in more detail then please contact AAT at:

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¹ <https://www.gov.uk/guidance/charities-and-trading#small-trading>

² Figures correct as at 31 March 2016