

Gift Aid for Membership Subscriptions



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Up until the 5th April 2000 the only way of claiming back tax on membership subscriptions was through Deed of Covenant. Unfortunately this was not always successful within Scout Groups, as parents were often reluctant to sign a legal document which theoretically committed them to making payments for a minimum four-year period.

NB. For the purposes of consistency in this fact-sheet the word 'Parent' is used where 'Guardian' or 'relative' could also apply.

Now as part of the Government's "Getting Britain Giving" campaign, major changes have been made to the Gift Aid scheme which allows tax to be reclaimed on any qualifying donation to charity, regardless of whether it is regular or one off.

In effect this means that Groups will no longer need to operate a Deed of Covenant scheme in order to reclaim tax on subscriptions. Accordingly, The Inland Revenue will not recognise Deeds signed after 6 April 2000.

The new system for claiming tax is much simpler to operate and is more flexible. The parent no longer has to make a legal commitment and now need only provide the Group with a Gift Aid declaration.

However, as with Deed of Covenant, Gift Aid is a tax effective way of giving and the parent should not fill out a Gift Aid declaration unless they are an income or capital gains taxpayer. This is because the subscription will have been paid out of taxed income and the charity, because of its special status, can claim back the tax. If a parent only pays tax at the 10% rate they can still complete a Gift Aid declaration as long as they have paid sufficient tax in that tax year to cover the amount being reclaimed.

How it Works

The Gift Aid declaration that the parent must provide can be written or oral. Written declarations can include those received by email, fax or letter. A sample Gift Aid declaration can be found on page 7.

Written declarations

The written declaration must contain:

- The donor's full name.
- The donor's full address.
- The charity's name (Scout Group).
- A description of the payments to which the declaration relates.
- A declaration to the effect that the donor wants his payments to be Gift Aid payments.
- A note explaining that the donor must pay an amount of income tax or capital gains tax equal to the tax deducted from the payments (to confirm they are a taxpayer).
- The date of the declaration.

Oral declarations

If you receive an oral declaration you must send the donor a written record of the declaration showing:

- All the details provided by the donor in their oral declaration.
- A note explaining the requirements that the donor must pay an amount of income tax or

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capital gains tax equal to the tax deducted from their donations.

- A note explaining the donor's entitlement to cancel the declaration retrospectively.
- The date on which the donor gave you the declaration.
- The date on which you sent the written record to the donor.

An oral declaration will not be effective unless and until you send the donor the written record. So, you cannot reclaim tax in respect of a donation covered by an oral declaration until you have sent the written record. Once you have sent the written record, you can reclaim tax in respect of any donations covered by the declaration, even if you received them before you sent the written record.

Cancellation of declarations

Donors are entitled to cancel their declaration at any time; they may do so by notifying you in any form of communication. You should keep a record of the cancellation of a declaration, including the date of the donor's notification to you.

If a donor who has given you an oral declaration cancels it within the period of 30 days after you have sent a written record, the cancellation will have retrospective effect, so that it will be as if the declaration had never been made. You do not have to wait for the 30-day period to expire before reclaiming tax in respect of donations you have received. But if you reclaim tax and the donor subsequently cancels the declaration within the 30-day period you must pay the tax back to the Inland Revenue.

When should a Gift Aid declaration be made?

Unlike the Deed of Covenant where payments could only be received on or after the date the Deed was signed the Gift Aid declaration can cover payments which have already been made. This will only apply to donations made after the 6th April 2000.

Therefore Gift Aid declarations can be made:

- In advance of the payment(s)
- At the time of the payment(s)
- Or any time after the payment(s) (up to six years as this is the period within which charities must make the tax reclaim)

The Gift Aid declaration can cover a single payment or any number of payments. This means you will only need to ask a parent to sign one declaration that will cover all payments made by them to cover their child or children's membership subscription regardless of how many years they remain in the Group.

How much is it worth to my Group?

If your subscription is £100 per annum, it is actually worth £128.20 if the Group claims back the tax (i.e. £128.20 gross is taxed at 22% leaving £100 net). The Group then claims the £28.20 tax back from the Inland Revenue. For example, if you have 50 children in your Group each paying £100 a year, the Group could claim back up to £1410 from the Inland Revenue each year! If the taxpayer pays a higher rate tax the Group can still only claim back tax at 22%. However, the higher rate taxpayer can claim the extra 18% in additional tax relief when they complete their Self-Assessment Tax Form.

What about my existing Deeds of Covenant?

Groups that currently run a Deed of Covenant scheme will not have to get parents to complete a Gift Aid declaration. As a transitional measure the Deed of Covenant will stand in place of the declaration. This only applies to Deeds in existence before 6 April 2000 as tax relief for payments made after this date will come under the new Gift Aid scheme. You should claim back tax from your existing deeds on the Gift Aid claim form.

The First Steps

Before starting the scheme you should have the approval and full support of your Group Executive, as the initial introduction of the scheme will involve some hard work and may even involve changes to the way records are kept and subscriptions collected. Once you have this backing the following preparation is needed:

1. Write to the Inland Revenue (See Contacts p6) stating that you wish to operate a Gift Aid scheme for your membership subscriptions. You should state approximately how many members are in your Group so that the relevant number of forms can be forwarded. You should also confirm that you are governed by The Scout Association Royal Charter and as such have charitable status.
2. The Inland Revenue will then register your scheme and give your Group a reference number, which should be used in all future correspondence. They will also forward details of the procedures to be followed in order to make a successful claim.
3. If your Group does not already have one the Inland Revenue will ask you to nominate an Authorised Signatory for your Group. This person will provide a contact point for the Inland Revenue.
4. You should then prepare a Gift Aid declaration for your Group based on the specimen wording in this pack.

Your Subscription

The amount covered by the declaration can include Group, District, County and Headquarters Subscriptions. The level of the Headquarters Capitation included in your Subscription can be the gross rate, but if you do get a rebate this must stay within the Group funds, and not be passed back to the parent.

There are quite strict rules about what can be included. You can incorporate any running costs such as rent, heating, maintenance, and cleaning. Sums towards the purchase of materials and

major items such as patrol tents or minibus can also be included.

However, you should be careful not to include items of direct benefit that exceed 25% of the total subscriptions. This would include, for example, camp fees, subsidies for training courses, and Group visits.

Keeping Records

You must keep sufficient records to show that your tax reclaims are accurate. In other words you must keep records that enable you to show:

- An audit trail linking each donation to an identifiable donor who has given you a valid Gift Aid declaration.
- That all the other conditions for the tax relief are satisfied.

Where possible we recommend that you operate your scheme to coincide with the financial year. This is because tax rates may change in the Budget, creating a considerable amount of extra work for your Treasurer in calculating payments at two different rates.

When collecting your subscriptions you can do this, annually, termly, monthly or weekly. Happily, each section in your Group can still have a different subscription rate as the Gift Aid declaration does not relate to a specific sum that will be donated.

The Inland Revenue recommends that you keep, and retain until six years after the last payment has been received, the following:

- 1) A cash book.
- 2) a Gift Aid register showing:
 - a) the name and address of each person who completed the declaration.
 - b) method of payment.
 - c) date the declaration was completed.
 - d) net amount payable in the year.
 - e) net amount paid in the year
 - f) date payment(s) made

- g) cash book reference
- h) amount of tax to be claimed

Selling the idea to Parents

It is unlikely that all parents will have heard of the Gift Aid scheme. However, unlike a Deed of Covenant, a Gift Aid declaration is not a legal document and does not ask parents to commit to paying the membership subscription for a four-year period. This should make Gift Aid considerably easier to sell to parents. The fact that it can also be done by telephone, fax or e-mail will also help.

There are three main ways of selling the idea but you will probably find you use a combination of the three:

1. Speaking to individual parent.
2. Telephoning a parent.
3. Sending letters and forms to individuals.

Regardless of which method you adopt, it should be co-ordinated by one person, be it the Treasurer or another Executive Committee member. By far the most effective way, but also the most time consuming, is the personal visit; In an ideal world you should try and get a small group of volunteers together and brief them fully on Gift Aid. You should then allocate a number of parents to each volunteer who will then make an appointment to go and see them. The volunteer should take the Gift Aid declaration with them when they visit so the parent knows exactly what is involved. This way they can also voice any individual concerns they may not wish to raise at a meeting. Try to get the parent to complete the form while the volunteer is there because if you leave it with them to think about it often means no!

It is unlikely that many Groups will have the resources to do this, and the next best option is to hold a Gift Aid session at an event where there will be a large number of parents present. You can give a short talk on Gift Aid and if possible give all the parents a handout to take home. A

phone call or letter can then follow this up. Another a good time to speak to a parent is when they come to pick up their young person.

Alternatively you may wish to write to parents enclosing details of the scheme, along with a sample declaration and a question and answer sheet with the most frequently raised concerns.

The most important point is to convince parents of the financial saving they can make through Gift Aid. If the Group can get money from other sources, there will be less need to increase subscriptions, and the parent will be saving money by providing additional revenue at no cost to them through Gift Aid.

NB: Not all parents have to complete a declaration for you to use Gift Aid; some parents may not be entitled to. It goes without saying that the more parents that do, the greater the return. However, you must be sensitive when approaching parents as some may be unemployed or retired, and some may not pay sufficient tax. Indeed, if only one partner pays tax, then they should sign the declaration, not the non-taxpayer. In addition, if someone is self-employed or works only part-time, they can still complete the declaration as long as they have sufficient taxed income.

Making your Claim

Claims can be made for up to six years after the payment to you. For example, payments for the tax year 2000/01 must be claimed by 2006/07. When setting up a Gift Aid scheme you will need to obtain the following forms from the Inland Revenue:

R68 (2000): This form contains the administrative details necessary to process your claim, namely the Group's information, details of whom payment should be sent to, and a declaration that all information given in the form is correct.

R68 (New Gift Aid): This form should be used to record the donations made on or after 6th April 2000. This form must be accompanied by R68

(2000). You should ensure that for each payment included in the claim, a donor has made a Gift Aid declaration.

Audit Visits

As declarations do not have to be submitted when making a claim, the Inland Revenue may make an audit visit to your Group. This is to check that:

1. Your declaration is correctly worded.
2. The money covered by the declaration has actually been received by you.
3. The tax repaid by the Inland Revenue is correct.
4. The procedures on Gift Aid administration are being operated properly.

The Inland Revenue will select a charity for an audit visit if they have cause for concern about the charity's affairs or simply on a random basis. The auditor will write about six months in advance proposing a date, and the anticipated time the audit will take. If the date is unsuitable, an alternative can be arranged. They will want to see:

1. The Gift Aid declarations and written records for oral declarations.
2. Your Cash Book.
3. Bank records and paying in books to check dates of receipts of payments.
4. Any relevant correspondence with the donors.

They are particularly concerned about schemes involving cash given under Gift Aid and to see that it is being operated properly. You should therefore be very careful that your records are accurately kept.

Other uses for Gift Aid

Although this pack is mainly about using Gift Aid for membership subscriptions, there are other valuable uses for Gift Aid.

- 1) **When anyone gives your Group money for a donation you may be able to use Gift Aid in the same way as for subscriptions.** This is appropriate either:

- a) If you are running a fund-raising campaign for a specific purpose. Examples of this could be renovations to your HQ or for a minibus where individuals give you one-off donations.
- b) Even if you are not undertaking a fund-raising campaign, you may have regular supporters whose donations may be eligible for Gift Aid.

NB: To operate Gift Aid for donations the declaration included in this fact-sheet would require the words 'the membership subscription' amending to 'donations' for it to be valid. It is advised that the two types of Declaration be filed separately.

- 2) The Leaders in the Group can also pay their subscriptions through Gift Aid.
- 3) Leaders who wish to can donate back their expenses to the Group through Gift Aid. In this way, by claiming the expenses they are actually raising money for the Group!
- 4) Companies can also give money through Gift Aid. However, the scheme does work in a different way. Donations by companies are given gross; this means that it is the responsibility of the company to reclaim the tax from the Inland Revenue. Your Group **will not** have to administer Gift Aid for any company donors, but the fact Companies can reclaim tax may mean you can encourage your company donors to give more.
- 5) Gift Aid can also apply to a sponsored event. The sponsorship money collected by the participants of the event can often be regarded as a donation. The Gift Aid declaration must be incorporated into the sponsorship form. An example of a Sponsorship and Gift Aid Declaration form is on page 8. If the wording on this form is reproduced exactly then it can be submitted

along with the R68 (see page 5) thus saving you the time of copying your sponsors' details.

Questions and Answers

Q Is a Gift Aid declaration complicated?

A No, it is very simple and only requires you to declare that you want your subscriptions to be treated as Gift Aid payments.

Q Do I have to complete a separate declaration for each of my children in the Group?

A No, one declaration covers all payments you make in respect of their subscriptions.

Q Will I have to reveal any personal tax information?

A No, all that is needed is very basic information including your name, address and confirmation that you want your Subscriptions to be treated as Gift Aid payments.

Q Will it cost me anything extra?

A No, the Group will simply claim back tax that would have otherwise have gone to the Inland Revenue. We can then use this tax to reduce the impact of subscriptions, and improve our programme.

Q What will I have to do in the future?

A Nothing, once you complete the declaration this covers your child(ren) until they leave the Group. You need only notify the Group if you change name, address or are no longer able to confirm the details on the declaration.

Q What happens if my child changes section?

A Nothing, as the Gift Aid declaration is not in respect of a specific sum but merely the subscription, however much that will be.

Q What happens if I stop paying tax?

A If you stop paying tax or have paid insufficient tax to cover the amount the Group will be claiming back you should inform the Scout Group and they will not make a claim for your payments.

Q What happens if my child leaves the Group?

A As there is no legal commitment in a Gift Aid declaration the Group will only claim back the tax on the payments you made before the child left the Group.

Q If I am a higher rate tax payer can I claim back the extra tax?

A Although the Group can only claim back tax at the standard tax rate, higher rate taxpayers can claim the difference back as tax relief on their self-assessment forms.

Contacts

Further information can be obtained from the Fundraising Department:

Email: Fundraising@scout.org.uk

Tel: 0845 3001818

To register for the Gift Aid Scheme in England, Wales or Northern Ireland you should contact:

Inland Revenue (Charities)
St John's House
Merton Road
Bootle
Merseyside
L69 9BB

For Groups in Scotland the Inland Revenue details are as follows:

IR Charities
Meldrum House
15 Drumsheugh Gardens
Edinburgh
EH3 7UL



GIFT AID DECLARATION

_____ Scout Group

Title _____ Forename(s) _____ Surname _____

Address _____

_____ Post Code _____

I would like the Scout Group to treat

all payments I make on or after the 6th of April 2000 in respect of the member subscription for the Group

as Gift Aid donations.

Date ____ / ____ / ____

Notes

1. You must pay an amount of income tax or capital gains tax at least equal to the tax we reclaim on the payments (currently 28p for every £1 you give).
2. You can cancel this declaration at any time by notifying the Scout Group.
3. Please notify the Scout Group if you change your name or address.

Total income tax to be reclaimed on above donations: