



### **Gift Aid Small Donations Scheme**

ICAEW welcomes the opportunity to comment on the Gift Aid Small Donations Scheme published by HMRC on 1 April a copy of which is available from this [link](#).

This ICAEW response of 1 July 2016 reflects consultation with the ICAEW's Charity Technical Sub-Committee of the ICAEW Business Law Committee. This Sub-Committee includes representatives from public practice and the charity sector and is responsible for ICAEW policy on charity issues and related submissions to legislators, regulators and other external bodies.

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## MAJOR COMMENTS

1. We believe that the regime generally is extremely helpful for the charity sector and support government initiatives to make the regime as simple as practicable whilst serving those in need of it.

## RESPONSES TO SPECIFIC QUESTIONS

### 4. Reform options

**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.

2. We believe that this would be a significant simplification and would be particularly helpful for new charities.

**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. We welcome the proposed relaxation in the rules, but the proposal will adversely affect charities that have a historic record of claiming gift aid, but not in the previous tax year.

**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.

4. We are aware that there are charities that currently use this technology and this is likely to increase over time. We believe that the regime should be extended to these payments at the earliest opportunity.

**Question 4:** Would the expansion of 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.

5. In many respects contactless payments provide a better audit trail to confirm payments eligible for GASDS than is the case with cash. It is also clear where a payment is £20 or less which cannot be guaranteed with cash payments where a person could, for example, put a £20 note and a £5 note in a collection box.
6. Contactless payments are likely to be used by more sophisticated charities which are much more likely to have appropriate financial procedures in dealing with such payments.
7. But it is appreciated that to claim for contactless payments it must be possible for the charity to confirm that the payment was a donation and not a payment for goods or services
8. We also think it important that record keeping and other administrative requirements required by HMRC for the purposes of this scheme should be kept to a minimum if it is to be as effective as possible; this applies equally to electronic as to cash payments.

**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.

9. While we agree that the current regime is overly complex, we would need to see details of the proposed reformed community buildings allowance regime to be able to assess whether this would result in unfair outcomes (see also, Q7 below).

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

10. N/A.

**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.**

11. We welcome consideration of any proposal that might increase the amount claimed under GASDS. But in this situation we are unsure how wide the scope for increased take up would be. The greater complexity caused by this rule change would only be worthwhile should the additional scope to claim be significant.
12. There are other aspects of the regime that contribute to its complexity, including the requirement for community buildings to be used for a group of at least 10 people who are 'beneficiaries of the charity'. This tends to discriminate against charities which do not have clearly identifiable beneficiaries, or charities which tend to work with beneficiaries on an individual basis rather than in groups of 10 or more. We suggest that the restriction could usefully be relaxed, so that any charity carrying out its charitable work from multiple locations should be allowed to collect donations and claim GASDS up to the current maximum in relation to each location.
13. We suggest that further research is carried out on any specific proposals for change following feedback from this consultation before a decision is made to implement.

**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?**

14. This will depend on the nature of the opportunities to take advantage of such a measure.

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

15. We suggest that HMRC work with sector groups and umbrella bodies to share best practice in claiming GASDS so that there is wider take up of the scheme by the smallest of charities
16. While we understand that HMRC wishes to discourage hard copy claims, some charities do not have specialist software or the ability to create complex spreadsheets and potential simplification of the claims process might usefully be considered along with simplification of the regime itself.
17. Whilst we understand that the matching rule is intended to encourage use of the gift aid scheme, the rule does have the effect of deterring use of the small donations regime in some cases. It also disadvantages some charities such as those that are starting up using collections and do not have committed donors. One simplification measure would be to abolish the matching rule altogether.
18. While we note government intention to retain the £20 limit for individual gifts, we would ask that this be kept under review as a potentially unnecessary restriction. A £50 limit would be a natural alternative, this being the largest denomination of sterling notes.
19. Section 8.16.1 of HMRC detailed guidance appears to envisage that small donations should be banked before they are used. There are cases where this is an extra burden, for instance

rural charities with a long journey to get to a bank where they can physically deposit cash. We suggest that it should be sufficient for charities to keep records showing how donations have been applied if not banked gross, to reconcile to the bank accounts.