



ICAEW REPRESENTATION 47/16

TAX REPRESENTATION

Gift aid small donations scheme

ICAEW welcomes the opportunity to comment on the call for evidence concerning the [Gift Aid small donations scheme](#) published by HM Revenue & Customs on 9 December 2015.

This response of 23 February 2016 has been prepared on behalf of ICAEW by the Tax Faculty. Internationally recognised as a source of expertise, the Faculty is a leading authority on taxation. It is responsible for making submissions to tax authorities on behalf of ICAEW and does this with support from over 130 volunteers, many of whom are well-known names in the tax world. Appendix 1 sets out the ICAEW Tax Faculty's Ten Tenets for a Better Tax System, by which we benchmark proposals for changes to the tax system.

This response also 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.

We should be happy to discuss any aspect of our comments and to take part in all further consultations on this area.

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ICAEW members operate across a wide range of areas in business, practice and the public sector. They provide financial expertise and guidance based on the highest professional, technical and ethical standards. They are trained to provide clarity and apply rigour, and so help create long-term sustainable economic value.

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MAJOR POINTS

Key point summary

1. The stated policy intention is: "... to support the charity sector by providing top-up payments in circumstances where it would be unduly burdensome or difficult to obtain Gift Aid declarations, for example bucket collections or during a church plate collection." Therefore, the claims system needs to be as simple as possible if this policy objective is to be met, especially when the main beneficiaries are smaller charities. Aspects of the Scheme are complicated and we are in favour of it being streamlined.

General comments

2. As a professional body, we are unable to respond to the specific questions outlined in the call for evidence that are aimed at data gathering from individual charities. However, we have received representations from members concerning the reasons that they are aware of why some charities may not use the Gift Aid small donations scheme (GASDS). These are set out below and in response to the relevant specific questions.
3. The current limit of £5,000 cash gifts means that a maximum of £1,250 tax can be reclaimed by a charity. Given the limit, some charities think it is just not worth it. The increase of the limit to £8,000 from 6 April 2016 will help, but for some charities, it may not be considered enough to make a significant difference.

RESPONSES TO SPECIFIC QUESTIONS

Q1: Are you aware of the scheme and familiar with the current rules? If not please provide details.

4. Yes.

Q2: Has your charity made a claim under the small donations scheme? If so, how many claims on average does your charity make a year? If not what is the reason for this.

5. N/A for our response.

Q3: Please indicate if you are a singleton charity, unconnected charity affiliated by membership of a union/association or a connected charity claiming under:

- main top-up payment only
- community building amount only
- both the main top-up payment and the community building amount

6. N/A for our response.

Q4: Does your charity receive sufficient eligible small cash donations allowing you to benefit from the full £5,000 small donations amount? If not, please indicate the range in which your charity's annual small donations usually fall.

Small donations amount range between:

£1 - £2,000

£2,000 – £4,000

£4,000 - £5,000

7. N/A for our response.

Q5: Have you encountered any problems and barriers during the claiming process? If so, please provide details and examples.

8. It is understood that some of the rules, such as the exclusion of gifts over £20, are very difficult to administer. Charities are discouraged from making a claim through a fear of breaking the rules. We therefore suggest that this limit is withdrawn.

Q6: Are there any eligibility criteria that your charity is struggling to meet? If so, what is the reason for this? (For example, the charity has not existed for two tax years).

9. As GASDS is only available to charities that already claim Gift Aid it may exclude many charities that are starting to raise cash donations at events, but who do not have regular givers.

Q7: Please give an indication of the amount your charity could be claiming if it met the eligibility conditions? Please also specify if you are a small (total income (£10-£100K), medium (£100K - £1 million) or a large (£1 -£10 million) sized organisation?

10. N/A for our response.

Q8: Does your charity claim under Gift Aid? If not what is the reason for this?

11. N/A for our response.

Q9: Does your charity receive sufficient Gift Aid donations to allow it to meet the matching criteria and claim under GASDS in respect of all its eligible small cash donations (up to £5000)? If not, is there a particular reason for this?

12. N/A for our response.

Q10: Do you feel that the current matching rule prevents your charity from accessing payments under GASDS? If so, what are the reasons for this?

13. N/A for our response.

Q11: If your charity operates in a community building, does it currently claim under the community building amount? If so, please indicate the small donations range, as listed below, applicable to your charity's community buildings relief claim? If not, why not?

Small donations amount range between:

£1 - £2,000

£2,000 – £4,000

£4,000 - £5,000

14. N/A for our response.

Q12: Have you claimed under community building amount for more than one community building? If so please advise:

- if you are a singleton charity, unconnected charity affiliated by membership of a union/association or a connected charity
- the number of community building allowance claimed for each year and the amounts claimed in respect of each building.

15. N/A for our response.

Q13: Have you claimed under both the main top-up payment and the community building amount? If so, please advise the amounts claimed for each year.

16. N/A for our response.

Q14: Has your organisation found any part(s) of the community building rules to be problematic? If so, please provide specific details and examples.

17. The community building rules are complex to follow and will deter many potential claimants.

Q15: Is there a better way than the current approach to create a level playing field as far as possible between charities that are undertaking similar activities but structured differently so that the original policy intention of the scheme can be implemented i.e. for each eligible charity to get one £5,000 allowance.

18. N/A for our response.

Q16: If there are other ideas and views that have not been covered in the above discussion areas respondents are invited to provide details along with any supporting evidence that helps to explain why their ideas should be considered for future policy making.

19. N/A for our response.

APPENDIX 1

ICAEW TAX FACULTY'S TEN TENETS FOR A BETTER TAX SYSTEM

The tax system should be:

1. Statutory: tax legislation should be enacted by statute and subject to proper democratic scrutiny by Parliament.
2. Certain: in virtually all circumstances the application of the tax rules should be certain. It should not normally be necessary for anyone to resort to the courts in order to resolve how the rules operate in relation to his or her tax affairs.
3. Simple: the tax rules should aim to be simple, understandable and clear in their objectives.
4. Easy to collect and to calculate: a person's tax liability should be easy to calculate and straightforward and cheap to collect.
5. Properly targeted: when anti-avoidance legislation is passed, due regard should be had to maintaining the simplicity and certainty of the tax system by targeting it to close specific loopholes.
6. Constant: Changes to the underlying rules should be kept to a minimum. There should be a justifiable economic and/or social basis for any change to the tax rules and this justification should be made public and the underlying policy made clear.
7. Subject to proper consultation: other than in exceptional circumstances, the Government should allow adequate time for both the drafting of tax legislation and full consultation on it.
8. Regularly reviewed: the tax rules should be subject to a regular public review to determine their continuing relevance and whether their original justification has been realised. If a tax rule is no longer relevant, then it should be repealed.
9. Fair and reasonable: the revenue authorities have a duty to exercise their powers reasonably. There should be a right of appeal to an independent tribunal against all their decisions.
10. Competitive: tax rules and rates should be framed so as to encourage investment, capital and trade in and with the UK.

These are explained in more detail in our discussion document published in October 1999 as TAXGUIDE 4/99 (see via <http://www.icaew.com/en/about-icaew/what-we-do/technical-releases/tax>).