

'Gift Aid Small Donations Scheme' and Sport

Introduction

The Small Charitable Donations Bill (21st June 2012) introduces the Gift Aid Small Donations Scheme (GASDS) and is due to come into force on 6th April 2013. This note briefly outlines the proposed law. The scheme has been designed for charities and Community Amateur Sports Clubs (CASCs) to receive a top-up payment on small cash donations of up to £20 where a Gift Aid declaration is hard to obtain. The scheme will extend to the whole of the UK. However, the charity or CASC must be using the Gift Aid scheme in order to qualify for top-up payments on small donations.

Benefits of the scheme

In general, top-up payments can be received on up to £5,000 of small donations per year. The top-up payment operates in a similar way to Gift Aid. However, neither a Gift Aid declaration form is required nor the details of the donor submitted to HMRC when claiming the top-up payment. Hence the scheme involves much less paperwork and should be attractive to community sports clubs run by volunteers.

How the scheme works

As with Gift Aid, a CASC or charity will receive a 25p top-up payment for every £1 of small donation assuming a basic income tax rate of 20%. For example if a CASC has £5,000 of qualifying small donations in a tax year, the CASC will receive a top-up payment of £1,250! Membership fees do not qualify for top-up payments under GASDS.

The maximum amount of small donations that will qualify for a top-up payment in any one tax year is £5,000 but the CASC or charity must separately be successfully claiming at least 50% of this amount using the Gift Aid donations scheme. For example, if a club wants to claim a top-up payment on £4,000 of small donations, it must also receive £2,000 of Gift Aid donations in the year. Thus the CASC or charity must claim both the small donations top-up and the Gift Aid repayment in the same tax year in order to receive the small donations top-up payment. In this example the club would receive £1,000 top-up payment under the GASDS and £500 under the normal Gift Aid procedures.

Eligibility

A CASC or charity must have been registered for at least 3 complete tax years to make a GASDS top-up claim. In addition, the CASC or charity must have made a successful Gift Aid claim in 3 of the last 7 tax years. There are detailed rules for this; generally if a club is making successful Gift Aid claims every year it will qualify after 3 years from when it started.

Only small donations will be eligible for top-up payments. The main conditions to satisfy are:

- The gift must be £20 or less in cash.
- The gift must be received in the UK and generally paid into a UK bank account.
- The gift must not have a Gift Aid declaration associated with it.
- The gift must not be repayable to the giver.
- There must be negligible or no benefits to the giver in return for the gift.

Action plan for clubs

There are three courses of action described below depending on the clubs situation.

1. Those clubs that are CASCs or charities should start generating donations and claiming under the Gift Aid scheme if they are not doing so already.
2. Those clubs that are CASCs or charities and are generating donations and claiming under the Gift Aid scheme should continue to do so. The aim should be to receive at least £2,500 per tax year in donations under Gift Aid by 2013. This will enable the club to claim top-up payments on up to £5,000 on small donations.
3. If a club is not a CASC or charity it should consider registering to take advantage of Gift Aid and GASDS. However, registering will not be suitable for some clubs.

The future

It is early days for GASDS; the proposed law will not come into effect until April 2013. However, clubs should start thinking about this **now** and how they might benefit from this scheme. It is possible that, for example, collections at the clubhouse or events may be successful so the club could receive top-up payments under the scheme.

The law is currently being debated on GASDS but the likelihood is that in April 2013 6,000+ registered CASCs in sport could be eligible to claim top-up payments on small donations if they have been taking advantage of the Gift Aid scheme.

Further information

Further information is available at www.hmrc.gov.uk/news/small-charitable-donations.htm.

Tim and Richard Baldwin - 25th July 2012