



Welcome to this Gift Aid Update which aims to bring to the attention of Gift Aid Secretaries and Treasurers some issues concerning Gift Aid. Whilst there have been no major changes which affect churches and Gift Aid, a recent report from the Inland Revenue stated "**Church claims were inaccurate and had to be adjusted in 45% of all errors reviewed. Of all the overclaims made by charities, churches made 40% of all the errors that were identified**". We share these and other findings with you, to ensure you do not make the same errors!

Errors found by the Inland Revenue

In recent seminars, the Inland Revenue has highlighted the most common errors found on audit:

- *Missing / Invalid Declaration (38%)*
You should never claim if you do not have a Declaration for a donation. This error is usually made for one off donation envelope Declarations - they need to be kept for at least 6 years after the claim! Always ensure your Declaration has valid wording. If you're not on the Diocesan Scheme, use IR wording only. You must have a tax warning - "I am a UK taxpayer" is not enough!
- *No evidence of receipt of donation ie no audit trail (30%)*
Ensure you can show when each donation was received, from whom, how much and be able to show when it was paid into the bank.
- *Payment not from individual (9%)*
Gift Aid is for an individual's donation only, not companies or other charities.
- *Excessive benefits (4%)*
See Inland Revenue guidance notes for details of allowed benefit levels. Admission to events, raffles etc cannot be Gift Aided.
- *Payment not a sum of money (3%)*
To become tax effective, any expenses given must be paid out, and the donor must give the donation normally. This cannot be a book transaction, and one of the transactions must be by cheque. Similarly, a loan waiver cannot be converted to a Gift Aid donation.
- *System error / Duplicated claim (2%)*
Only claim on each donation once!

All the above errors would result in repayment of tax, interest and possibly penalties to the Inland Revenue.

Next are the most common errors when processing claims. Whilst not all claiming errors are from Anglican churches, parishes were 22% of all errors. These are usually just simple mistakes which could easily be avoided, but cause repayment delays, *not just for you, but for other charities too*. The following *won't* apply to any parishes using the Diocesan Scheme:

- *Arithmetical errors*
Basic errors adding up lists of figures.
- *Transposition of figures errors*
Mistakes in copying figures from the schedule (R68 New Gift Aid) to the claim form.
- *Tax rate errors*
The correct rate is total donations x 22/78. This is clearly marked on the schedule. Some people use 22% for the rate - this produces an underclaim! The error is more likely where you use your own spreadsheet, rather than the schedule provided by the Inland Revenue.
- *Claiming the donation*
Here the total of donations is claimed rather than the tax. This would produce a **large overclaim!**

6 year claim back period

As you are aware, there is a time limit for claiming Gift Aid of 6 years. Since the new Gift Aid system began on 6th April 2000, we have been able to backdate Declarations and claims to that date, so have not needed to concern ourselves with the 6 year time limit. By April 2006, 6 years will have passed and we need to be aware of the time limit available for both claims and Declarations.

A PCC is a "company" for tax purposes. A charity which is a Company for tax purposes must make any claim within 6 years from the end of the accounting period to which the claim relates. The church's accounting period ends on 31st December.

So for tax year 2000/2001:

- Donations *received* between 6th April 2000 and 31st December 2000 must be *claimed* by 31st December 2006.
- Donations *received* between 1st January 2001 and 5th April 2001 must be *claimed* by 31st December 2007.

These dates can be "rolled on" to calculate the dates for each following tax year. Gift Aid secretaries need to be aware of this, and if you have any possible tax payers in your congregations, and you have recorded their giving since 2000 (ie you have a valid audit trail), but they have no Declaration - **you need to approach them to complete a Declaration as soon as possible, and then claim their 2000 giving before the end of 2006.**

Always record ALL giving

It is because Gift Aid allows this backdating for 6 years, we strongly recommend that you **ALWAYS RECORD ALL GIVING BY NAME, DATE AND AMOUNT.** This means recording ALL your giving envelopes - if you don't you can't claim past giving on backdated Declarations.

Treasurers should be aware that **every cheque** received should also be recorded by **name, date and amount** - ie itemise each and every cheque. Make sure your Clergy, Treasurer and Wardens are aware of Gift Aid, and let you know about any cheque donations received, so that you can follow these up.

Annual Thank you letters

We recommend that you should write each year to everyone in your Gift Aid scheme to thank them for their giving and to remind them to let you know if their tax situation has changed. If you also write to all your other regular givers, you can use this as an opportunity to encourage any taxpayers to Gift Aid their giving. Best of all is to approach people personally, and if they pay sufficient tax, help them to complete a Declaration.

One Off Envelopes

These envelopes with the Declaration printed on them can be a useful way of maximising income from visitors, and at weddings, baptisms and funerals. Versions of these are available from Church House. Parishes not in the Diocesan Scheme must ensure these are treated as Declarations and kept as needed. The recording of these envelopes are where many errors are found on audit. You must be able to prove how much you received from each person, on what date and show when that donation was paid into the bank. If someone with a "cover all giving" type of Declaration fills one in, you can just treat it as an

additional giving envelope - but the audit trail still needs to be as rigorous!

Reminders

Some of the following reminders result from findings during our audits of Diocesan Scheme parishes:

- **The tax year is 6th April to 5th April**
Therefore the first Sunday in the tax year isn't usually the first Sunday in April, and the last Sunday isn't usually in March!
- **Taxpayer's name in envelope records**
Ensure that the name of the taxpayer = the name on the Declaration = the name against the envelope number in your records. You can put Mr & Mrs on the box when you hand out the envelopes. But if you put Mr & Mrs in your envelope records, and only one of them has a Declaration, you can only claim half of what you receive in the envelopes.
- **Standing Orders**
Don't assume amounts received under Standing Order. You need to check every payment amount and record the date received. You may need to claim for 13 payments in one year and 11 in another. Check the name matches the tax payer - joint accounts are fine, but the husband's account for the wife's Declaration, for example, or a business account are not.
- **Vestry procedure**
Ideally, offerings should be counted by 2 unrelated people immediately after the service. Ensure the amounts are written on each envelope, and the totals on the envelopes match the total cash!
- **Keep a sample of envelopes**
You must keep a month's sample of your regular envelopes from each tax year for at least 6 years. Keep all your one off donation envelopes.
- **Tax on a Restricted donation is Restricted**
Make sure your Treasurer allocates the tax appropriately.

Further information

If you have any queries about Gift Aid or tax efficient giving please contact Kim Stanley on 0151 705 2132, or email kim.stanley@liverpool.anglican.org
Find out more by clicking the Gift Aid button in www.givinginrace.org
For the Inland Revenue website go to www.hmrc.gov.uk. Their helpline is 0845 3020302.