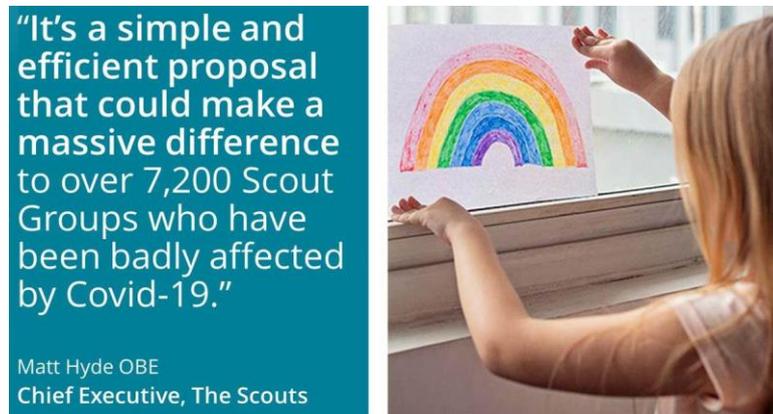


Gift Aid Emergency Relief FAQs

Is it true that only 20% of charities would benefit from the Gift Aid Emergency Relief proposals?

73,050 charities [claimed](#) Gift Aid in 2018/19 (source HMRC) which represents approximately 40% of UK charities (source NCVO) and importantly a major part of the sector workforce & beneficiaries. The proposal has widespread support from over 200 charities large and small, local and national.

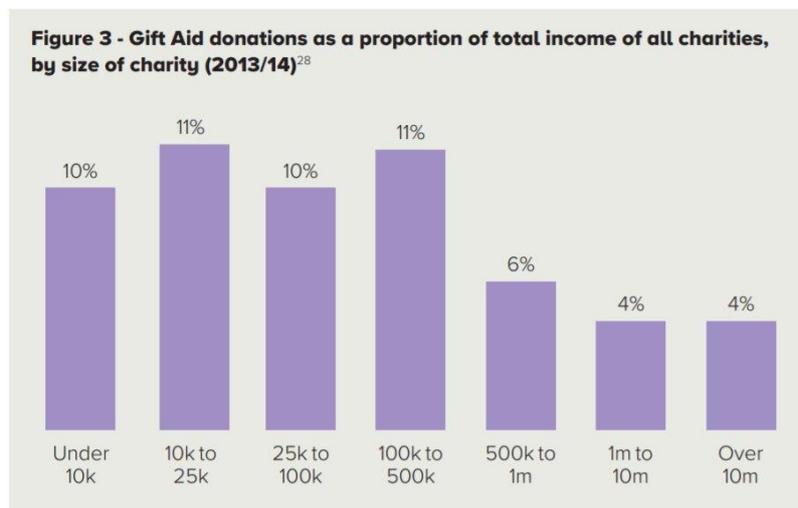


The Gift Aid Relief campaign does recognise that not all charities make use of Gift Aid, so the proposal also makes suggested changes to the Gift Aid Small Donations Scheme as well as promoting outreach work to promote awareness of Gift Aid. Full details can be found in the proposal document.

But doesn't the proposal only support larger charities?

While it is true that larger charities would receive the largest payments, because they tend to receive larger number of donation, research has found that Gift Aid is a significant and larger proportion of the income for smaller charities (source Charity Tax Commission) so boosting the value of Gift Aid would make a significant difference to them.

CHARITY TAX COMMISSION REPORT



For these reasons, the campaign is generating significant support from smaller local charities including Shropshire Cat Rescue and Powys Animal Rescue as they restart their charity shop and local fundraising activities.

- Margaret Lloyd, Trustee and Gift Aid Officer, **Shropshire Cat Rescue**, said:

"We are a small local charity, managed exclusively by volunteers and reliant on income from our charity shop and social fundraising events. We have been ineligible for many of the Government grants, so Gift Aid income will be essential to stabilise our budget when the shop re-opens and fundraising events can resume. We are therefore very supportive of the proposal to temporarily increase the value of Gift Aid, which will be a great help for small charities."

- Lynda Giller, Trustee/Treasurer, **Powys Animal Welfare**, said:

"We run three charity shops to fund our animal rescue service. Through these shops we claim Gift Aid on the sales of donated goods and claim under the Gift Aid Small Donation Scheme on small donations through collection tins. Being able to claim back a higher percentage of Gift Aid for a temporary period would certainly help to mitigate the deficit which would be a considerable help in us being able to continue to provide an Animal Welfare service in mid-Wales".

But wouldn't the proposal break the link between tax paid by donors and Gift Aid?

The sector understands the importance of the link between tax paid by donors and Gift Aid, which is why the proposal is time-limited to 2 years. The campaign is asking Government to support a temporary boost to the value of Gift Aid at a time when charities are #NeverMoreNeeded, and in response to the unprecedented situation presented by COVID-19.

Importantly, there is precedent for HMRC changing the value at which Gift Aid is paid, with the [Gift Aid Transitional Relief scheme in 2008](#) - we know that the mechanism works and the proposal can be implemented simply and have a number of important benefits

Key benefits from this change

- It is a 'fundraising' boost for charities which will help to leverage additional giving. Every donation will be worth more to the charity. Government can demonstrate its support for individual giving across the UK, by match-funding this boost to all charity donations eligible for Gift Aid.
- Being identical to Gift Aid Transitional Relief, this mechanism is tried and tested and there is evidence it works.
- It can be introduced quickly and will respond to the urgency of need that we see right now across the sector.
- There is no increased risk of fraud as claims will be monitored by HMRC in the usual way. Vital public funds will be protected.
- There will be little increase in administration for HMRC or for charities. Additional costs will be minimal.

How much would it cost?

There is a long-established principle that donations to charities should not be taxed and this underpins the Gift Aid relief. However, once unclaimed and incorrect Gift Aid claims are taken into account charities are missing out on up to £380m each year of Gift Aid each year.

Gift Aid relief proposals would cost £360m-£450m a year – broadly similar to unclaimed eligible Gift Aid in the same period (source NAO). Supporting this temporary change is an important way for the Government to support the sector alongside longer term efforts to maximise Gift Aid take-up.

How much would this cost?

Gift Aid claimed by charities was worth £1.35bn in 2018-19. If the effective tax rate at which Gift Aid was paid increased to 25%, this level of donations (£5.41bn) would secure an additional £450m to support the work of charities*. However, due to COVID-19, it would seem likely that charities will see a fall in donations on which they can claim Gift Aid. If, for example, the level of donations fell by 20%, as some charities are predicting, then the measure would then only cost £360m. This is less than the net amount of eligible Gift Aid that has previously gone unclaimed each year.

** To calculate Gift Aid, the net value of the donation is grossed up in line with the basic rate of income tax (20%) [the effective tax rate]. For example, on a net donation of £100 the charity can claim £25 of Gift Aid. The gross value of the gift is therefore £125.*

Under the Gift Aid Emergency Relief proposal, if it operated in a similar way to Transitional Relief introduced in 2008, the effective tax rate in the calculation would increase from 20% to 25%. For example, on a net donation of £100 the charity could claim £33.33 of Gift Aid. The gross value of the gift would therefore be £133.33.

The basic tax claimed would stay the same and the difference would be the Emergency Gift Aid Relief.

Haven't charities already been given a support package? Why do charities need additional support?

The £750m charity support package was welcome, but was not sufficient to make up the shortfall in income facing the charity sector.

Charities who responded to a [recent survey](#) conducted by IoF, NCVO and CFG said they expect to see their income reduce on average 24% lower than previously forecasted, due to the impact of COVID-19. Voluntary income (Income from Regular giving by individuals (e.g, direct debits), Individual giving (cash donations across all channels including text, online, public collections etc), Major donors/philanthropy, and corporate donations, on average is expected to fall by 42% per charity based on revised projections. At the same time, charities are seeing similar or increasing demand on their services.

The charity support package was also limited in the sense that it was allocated to specific front-line and small charities only, meaning that many fundraising charities were ineligible for funding. The Gift Aid Emergency Relief package is open to all charities that receive individual donations and the proposed changes to the Gift Aid Small Donation Scheme will also support charities not registered for Gift Aid.