Consultation response:

The Gift Aid Small Donations Scheme

May 2012

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About Charity Finance Group (CFG)

Charity Finance Group (CFG) is the charity that champions best practice in finance management in the voluntary sector. With more than 1,800 members, managing over £19 billion, we are uniquely placed to comment on and challenge regulation which affects the use of charity funds. Our training and development programmes enable finance professionals to give the essential leadership on finance strategy and management that their charities need.

About Charities Aid Foundation (CAF)

Charities Aid Foundation (CAF) is a registered charity that helps charities and social enterprises make the most of their money. CAF provides financial, investment and fundraising services and works directly with tens of thousands of charitable organisations across the UK and internationally. We also provide services and support to thousands of individual donors, enabling them to give tax-effectively to charitable organisations across the UK and around the world. Our knowledge and understanding - gained through direct experience and research - makes us a trusted voice on giving and the effective use of charitable funds.

About National Council for Voluntary Organisations (NCVO)

The National Council for Voluntary Organisations (NCVO) www.ncvo-vol.org.uk is the umbrella body for the voluntary sector in England, with sister councils in Wales, Scotland and Northern Ireland. NCVO has over 8,300 members, ranging from large national bodies to community groups, volunteer centres, and development agencies working at a local level. With over 280,000 staff and over 13 million volunteers working for our members, we represent and support almost half the voluntary sector workforce.
Executive summary

The importance of Gift Aid

- Gift Aid is a highly successful scheme which adds great value to the sector both in terms of promoting giving and bringing in additional income. Take up of Gift Aid among the smallest of charities could be significantly increased if the process was simpler to understand and administer. The Gift Aid Small Donations Scheme (GASDS) offers an opportunity for organisations to claim a small amount of income on cash donations where it might be difficult to obtain a Gift Aid declaration.

- We welcome the policy objective of GASDS, and feel that this is a supportive move from Government to allow the smallest charities to maximise their donations and to introduce them to Gift Aid.

- However, the current proposals limit how useful the scheme will be to these organisations.

- The scheme should also not detract from the wider issues currently being brought to light by the sector following Budget 2012. The recent proposal to include charitable giving in a cap on tax relief has unfortunately undermined some of the basic principles of Gift Aid and is harming the Government’s case for supporting civil society.

Overarching issues

- Overall the proposed scheme is extremely complex and difficult to understand, even among those familiar with Gift Aid. Without a drastic rethink of the rules it is likely to have an extremely low impact. This may require an increase in exposure to risk, or alternatively an increase in resources allocated to running the scheme. As proposals currently stand GASDS, which is intended to offer a low bureaucracy option for relatively low value donations, will actually further complicate the Gift Aid landscape.

- It is important that this scheme does not detract from wider Gift Aid reforms, such as the introduction of online Gift Aid claims, as well as exploration of the potential for easy to use databases and a universal declaration. This would make it easier for smaller organisations to grow their use of Gift Aid.

- The HMRC consultation document makes it clear that money paid through GASDS will be public expenditure rather than tax relief. The danger for charities is that this makes the payments subject to future changes in political priorities and public spending decisions. It is important that charities that want to take advantage of GASDS are made aware of the crucial difference between it and Gift Aid. This difference made clear will also be an important aspect of reducing confusion between GASDS and Gift Aid.

- It would also be useful if the schemes were further differentiated by changing the name of the ‘Gift Aid Small Donations Scheme’ to something simple that is easily distinguishable from Gift Aid.
Limiting risk of fraud

- We recognise the need to reduce the risk of fraud and that it is important that safeguards are in place to stop abuse of the system. However, the link between GASDS and the Gift Aid administration and payment process has meant that the scheme has become tangled with an anti-fraud model more appropriate to the tax system. There is a focus on attempting to block fraud through legislative means, rather than within the mechanisms of running the scheme. There is also little consideration of regulations already in place to mitigate risk around charities registering with HMRC. The Fit and Proper Persons Test is one of these measures.

- Fraud could be mitigated to a significant degree through investment in a simple but robust application process. Legislation could be used to empower HMRC to grant eligibility for the scheme to local groups that are determined to be independent to the requisite level for GASDS.

Concerns over specific provisions

- Having an application process with clear guidance would be preferable to the current proposals for complex legislation outlining the new concepts of ‘community buildings’ and ‘connected charities’. These provisions are particularly difficult to understand and appear to be in place in order to determine when an organisation may be classed as independent for the purposes of the scheme, something which would be relatively simple to determine in most cases.

- The Government should open eligibility for local groups applying for individual limits to include charities that operate activities involving primary-purpose trading and those that are in their nature residential. The restriction on general ‘commercial’ buildings is too broad and should be removed.

- Different rules have been proposed for the types of funding that can be claimed from the ‘core’ GASDS limit (allocated to a parent charity of a group), and the limit awarded to local groups of a parent charity. We propose that each charity deemed independent by HMRC for the purposes of the scheme be allocated a limit of £5000 in donations on the same terms regardless of whether they are part of a group structure or could be considered a parent charity. The restrictions placed on how this money can be raised within local groups in order to be eligible for the scheme should be removed.

- The matching principle is not an appropriate deterrent to fraud in the context of this scheme and should be removed.
Introduction

The Gift Aid Small Donations Scheme (GASDS) offers an opportunity for organisations to claim a small amount of income on cash donations where it may be difficult to obtain a Gift Aid declaration. If this policy is implemented in an effective way, it could be a boost for the sector, bringing much needed additional income right to the frontline of some of our most pressed voluntary sector organisations.

As it currently stands the scheme is highly complex, with several provisions designed to avoid fraud. Our consultation response highlights the problems with the current proposals that are likely to act as a barrier to effective implementation. We are seriously concerned that without taking action on these issues the scheme will have a relatively low impact in terms of bringing income into the sector, and may even produce unintended negative consequences as a result of confusion with Gift Aid.

We understand that the Government wishes to minimise the risk of fraud associated with the new scheme. It is essential that tax reliefs and grants available on giving are not abused by a minority. We are open to working with Government to develop a scheme which better balances simplicity with the safeguards necessary to counter abuse and have made recommendations which we believe will improve access to the scheme. Our response focusses on the technical detail in line with the questions set out in the consultation document. As well as some specific recommendations we also question some of the general principles that have shaped the design of this policy. We would be happy to discuss any of our views in more detail.

Consultation questions

1. Where should the balance lie between fairness and complexity of the scheme and do you have any other suggestions on how GASDS should work?

The principal aim of this policy is to ‘allow charities and Community Amateur Sports Clubs (CASCs) to claim a Gift Aid style payment on donations received in circumstances where it is difficult to collect donors’ details, or where donors may be reluctant to give them’. It should provide a way for organisations to claim an amount linked with the rate of income tax, without heavy administration, up to a level of £5000 in donations per year. The maximum limit has been set based on the risk that a proportion of these cash donations would not have been eligible for Gift Aid and that the scheme may be susceptible to fraud.

The proposed Gift Aid Small Donations Scheme (GASDS) rests on a framework of four concepts acting as safeguards, namely, ‘community buildings’, ‘connected charities’, ‘matching’, and ‘eligibility’ criteria. While the current design of the scheme is intended to find a balance between complexity and risk (referred to in the consultation as fairness), at the moment, this balance leans toward complexity.
Reducing the scheme’s complexity has been correlated with increasing risk of fraud. Unfortunately, this will also significantly decrease the ease with which the scheme can be used and understood; the by-product being increased unfairness for the organisations intended to benefit from it.

We believe some of the layers of complexity in these regulations are likely to have a greater curbing effect on legitimate take-up than they are on fraudulent activity. If the scheme is to achieve its stated aim, HMRC need to improve its accessibility, which may mean that the exchequer is taking on increased risk.

**GASDS and risk of fraud**

Our understanding is that the Gift Aid scheme is seen as attractive for fraud because payments are made before relevant checks can be made. The lack of an audit trail for GASDS makes it appear particularly open to abuse. We would cast doubt however, on whether the small donations scheme will be any more attractive given the small amounts that can be claimed and the effort required in registering an organisation with HMRC for the purpose of using GASDS. We also note that HMRC has put in place a number of regulations as a barrier to abuse of Gift Aid. These include the Fit and Proper Persons Test and the Tainted Donations legislation. These regulations will also be relevant to GASDS.

As is made clear in the consultation document, the small donations scheme is a grant of public money; although it is linked with the income tax rate, it is not a tax relief. Despite this, the scheme is being designed within the context of the tax system and is being closely related to anti-fraud mechanisms one would associate with tax reliefs. We believe there is a strong case for significantly cutting back the degree of legislative protections, and instead developing better regulatory mechanisms within the registration and guidance for the scheme.

**Interaction between GASDS and Gift Aid**

There is an underlying intention that this scheme does not detract from Gift Aid and that charities are encouraged to use Gift Aid wherever possible. While we appreciate concerns that this scheme should not provide a perverse incentive ‘not to bother’ with Gift Aid, it is likely that the risk of this has been over-estimated. For all but the very smallest of organisations the amounts available are unlikely to be material to the extent that they detract from Gift Aid.

Smaller charities and CASCs do not currently use Gift Aid for certain types of donations for precisely the reasons outlined in the stated policy aims, i.e. difficulty in collecting and storing declarations for the types of giving which suit that organisation (such as collection boxes). It is essential that they are able to use the scheme and are not disadvantaged compared with larger organisations. We are concerned both about the restrictive eligibility criteria and the matching principle (more details outlined below) in terms of how they will limit the accessibility of the scheme because of the link with the Gift Aid system.

Increased efforts to simplify the administration of Gift Aid and bring Gift Aid more up to date would most likely reduce the need for the small donations scheme. We would urge the Government to continue to work with sector bodies in order to ensure that the Gift Aid scheme is fit for purpose within a modern giving environment. Greater efforts should be made to make Gift Aid compatible
with digital giving platforms as well as to streamline the audit process, reducing reliance on high administration paper-based declarations. This in turn will support organisations not to be reliant on GASDS to bring in this type of income.

It is also essential that the implementation of this scheme does not further complicate, or become confused with, Gift Aid in smaller organisations that currently struggle with the administration of claiming tax reliefs and to understand the complexities of tax-effective giving. This is currently at high risk and would be counter-productive to the scheme’s stated aims.

2. Under what circumstances do you think HMRC should exercise its powers to make regulations in connection with community buildings?

We appreciate that the community buildings rules have been developed as a way of enabling the scheme to fit with some of the nuances of charity structures. Circumstances where there are complex structural arrangements in the sector include:

- National grouped organisations where local groups operate as individual charities in their own right. These may be operating under a federal structure or a branch structure and can be complex and varied in make-up.
- Churches; in the Roman Catholic church each diocese is a charity with individual churches falling under it, whereas the Church of England is structured so that each parish is an individual charity.
- Some other social care charities or hospice charities operating local groups or services.

The consultation document states, “The Government is keen to make sure that, as far as possible, charities carrying out similar activities will be able to have the same access to GASDS top-up payments.”

By developing the ‘community buildings’ rules, HMRC has sought to ensure that some charities will not be disadvantaged compared with others operating in a similarly independent way simply because they are structured differently. The rules have been designed with a number of potential structures in mind, in particular those structures found in the religious sector.

We welcome the policy intention; it would be a huge problem for many organisations if the scheme’s limit of £5000 was allocated by charity registration alone. However, the rules as they currently stand run the risk of creating further disadvantage to certain charities. It may also be very difficult for an organisation to assess its own eligibility and access to the scheme.

Our concerns are as follows:

1. ‘Community buildings’ have been defined as “a place of worship, village or town hall or other building which is accessible to the public or a section of the public. Premises used wholly or mainly for commercial or residential purposes are not community buildings for the purposes of GASDS.”

The provisions here remove the possibility of claiming for individual charity shops, for groups held in or operated out of people’s homes, or for local groups existing for the sole purpose of fundraising. While these are understandable restrictions considered in the context of
discouraging fraud and ensuring that the individual groups are operating charitable activities, we have a number of concerns with this definition:

- Many local groups operate services which are in their nature residential. For example, residential social care, respite homes or hospices. These often fundraise specifically for their local group and could quite legitimately be classed as independent organisations.
- The term ‘commercial activities’ is too broad and does not cover the complexity of charities’ operations. Many organisations will be operating not-for-profit activities that are still commercial. For example, charities deliver contracted services or charge for their services. This would be classed as primary-purpose trading and should be omitted from the restriction.
- Some charities and CASCs simply do not make use of a community building as official premises but still exist in other ways. Stipulating that they are linked with such premises appears to represent additional red-tape on top of information already required to be given on registration with HMRC.

2. The consultation document also states that ‘the small donations collected by each local group must be collected in the course of its charitable activities carried out in the community building.’

Apart from church collections and a small number of other situations, there are limited circumstances where charities would fundraise while carrying out charitable activities. This is highly dependent on the type of activity and the organisation’s beneficiary group. For a great number of charities the beneficiary and donor groups are likely to be two separate constituencies. It is not clear why, if the aim of the ‘community building’ concept is to identify organisations that could be seen as independent charities in their own right, these are not able to claim from GASDS on fundraising which has occurred outside of their premises.

3. Restricting how and where fundraising eligible for the scheme takes place will significantly disadvantage some charities compared with others. This appears to run counter to the aim of the ‘community buildings’ principle. For example, one church would not be able to claim on money raised outside of the building if it has been awarded a limit as a ‘local group’ in a ‘community building’, whereas another would be able to if registered as an independent charity (even if affiliated with a larger branch structure). An entirely independent hospice would be able to claim on money raised from a street collection, whereas a hospice part of a wider group would not be able to despite similar levels of independence.

Our recommendations:

- It could be stipulated that the money raised and the income claimed through GASDS by a local eligible group, should be intended for charitable activity towards the objects of that group rather than that the money is raised during the course of these activities. HMRC has a strong view that local groups whose sole role is to fundraise for the parent charity, and charity shops, should not be eligible for their own separate limit. This would avoid that.
- Buildings used for commercial activities classed as primary-purpose trading should not be restricted from eligibility to apply for an independent limit under GASDS.
- Buildings used for residential purposes should not be restricted from eligibility when the charitable activity could be residential in nature.
3. Are there circumstances where the proposed meaning of “connected” would result in charities or CASCs that are, in fact, wholly independent of one another being connected for the purposes of the GASDS? What are these circumstances?

The ‘connected charity’ principle has been put in place to prevent charities from fragmenting into smaller organisations in order to increase their entitlement to the GASDS under the ‘community building’ rules. Many of the organisations that would be allocated their own limit of £5000 under the community building rules are also by their very nature caught by the connected charities rule. This will create a highly complex situation where the parent organisation is required to split, or allocate, the ‘core’ GASDS limit between all connected organisations – increasing the limit for some local groups to above £5000 (some of which can be fundraised outside of the premises and some of which cannot).

There is already high risk of confusion between the GASDS and the Gift Aid scheme in small organisations; these provisions confound confusion further. The way that the connected charities and community buildings principles interact produces two different claim limits with different rules under GASDS; the ‘core’ amount and the additional amounts available for local groups operating in community buildings. Overall the regulations will be impenetrable - risk of miscalculating allocation, or allocating the wrong funds to different limits, will be a strong disincentive to using the scheme within a small charity or CASC.

Defining ‘connected’ charities

There may be circumstances where the trustee boards of separate organisations are similar in terms of make-up. This does not necessarily mean that they are not separate charities with individual objectives, governance and financial management. It is not uncommon for individuals to be on the board of several local charities. Across the sector there can also be difficulty in recruiting trustees with the right skills and that are willing to take on the responsibility; often individuals will serve on more than one board and may also work within the sector. The regulatory framework allows this and ensures that any potential conflicts of interest are declared and dealt with appropriately.

The only circumstances where this rule would appear to be relevant might be in instances where a charity, such as a church, has a relatively wide remit, managing several groups or services. Beyond a certain size, we think there is little incentive for charities to want to fragment given the bureaucracy and costs it would involve. For the smallest organisations this could be clearly discouraged through basic guidance and regulations on what counts as a separate organisation and a robust application process for entitlement to an individual GASDS limit.

4. What are the criteria that indicate a charity or CASC is being run as a wholly independent entity and what alternative definition of “connected” might be used to avoid hard cases while at the same time deterring abuse of the GASDS?

If the regulations and guidance on determining what constitutes an independent charity were clear, we do not feel that the ‘connected charities’ rule would be necessary.
For example, charitable objects and beneficiary groups could be determining factors as to whether an organisation is in fact a separate entity. It is important to ensure that the suggestions made here are treated as indicators and not determining criteria. Many organisations are exploring increased sharing of functions, particularly back office functions, in order to make efficiency savings. It is important that this policy does not disadvantage charities sharing services. On balance we recommend that independence is determined by a transparent and clearly outlined regulatory process that can take these factors into consideration, rather than through definition within legislation.

Our recommendations:

- It should be possible for charities that do not have their own charity registration but believe themselves to be independent, to apply to HMRC for a separate limit of £5000. This could be done with the support of the parent organisation. Ensuring this application process is robust and has clear guidance would enable organisations to identify whether they are likely to be eligible. This could be incorporated into the HMRC registration process already up and running and should be made simple and easy to understand.

5. Do you think it will be administratively easier to allocate the £5000 maximum limit to one lead organisation or should the rule split the allocation between all the connected organisations where one or more charity is running charitable activities in a community building?

The policy aim of splitting the allocation between connected charities running activities in a community building is not entirely clear. If the lead organisation was forced to split between connected charities would discriminate against the lead. It would also be extremely complex for HMRC to check that each charity has not exceeded its limit for the year with the limit varying so much between organisations. It would be simpler to have a straight limit of £5000 per charity across the board.

In a situation where the lead charity wishes to pass funds on to connected groups, this is a matter for the individual organisation to determine.

Our recommendations:

- All charities that are registered with HMRC for the scheme should be allocated a £5000 limit on the same terms, regardless of whether they could be thought of as a local group or a parent organisation. This should mean that all organisations deemed eligible for an individual entitlement should be able to claim this on fundraising for that organisation regardless of where and when this took place. The concept of a ‘core’ limit will also be removed as a result of this change.
Income received through GASDS should be unrestricted. If the parent charity chooses to pass on this funding to local groups, this should be allowed given that it will be in line with the organisation’s purpose and objectives.

6. Do you have any other ideas on how a rule to ensure charities or CASCs that fragment, in order to gain more GASDS top-up payments, might be framed? What would be the administrative consequences for the organisations?

The incentive to fragment in order to increase the numbers of donations eligible for top-up payments is likely to be at a relatively local level. In most cases, the bureaucracy and costs involved for a charity to recognise its affairs would likely outweigh benefits of accessing more GASDS funding.

Regulations around what constitutes a separate organisation for the purposes of GASDS should be simply laid out in guidance documents. If an organisation wishes to apply for more than one registration for GASDS it should be able to comply with this guidance and satisfy HMRC that it is a separate entity for reasons apart from GASDS eligibility. Again, indicators such as differential beneficiary groups, charitable objectives, management as discussed above would be relevant. Attempting to develop a ‘one size fits all’ legislative framework for this creates a complex environment with burdensome regulation as organisations struggle to assess their own eligibility.

7. Should a requirement to match GASDS claims with Gift Aid claims be introduced and if not, what alternative method for countering abuse of the scheme is suggested?

The eligibility criteria already significantly reduce the numbers of organisations to which this scheme is a viable option. Introducing the matching principle takes this even further and treats eligibility as a reward for using Gift Aid. This does not appear to be in line with the stated policy aims.

While the small donations scheme is being administered by HMRC, it is not a tax relief. The link with Gift Aid administration is currently seen as a clear way of tackling fraud as it ensures that organisations are capable recording the link between the donation and the taxpayer. However, it is exactly this administrative burden which deters, or makes it impossible, for many charities and CASCs to carry out Gift Aid. Replacing one set of administrative burdens with another defeats the object. In the case of the small donations scheme there is not the need to have a link to a taxpayer, and so expecting this scheme to adhere to the same standards of Gift Aid is inappropriate. It also runs the risk of discriminating against legitimate organisations that are simply not able to participate in Gift Aid because of the way it is currently set out.

Details of the ‘matching’ principle
The link is made to the amount of money claimed, not the number of successful claims made. It is not clear how claiming greater monetary value implies better compliance. This means that charities that simply do not get the types or size of donations where they can realistically collect Gift Aid declarations are disproportionately disadvantaged. There will be charities that operate Gift Aid very well but have not raised enough through Gift Aid to entitle them to the full £5000 limit. Others could simply put through one large donation every year and claim small donations against the full amount available. This is little indication or proof of the charities ability to manage Gift Aid.

Alternatively, basing matching on the number of claims made would add a significant degree of bureaucracy and again disadvantage many organisations. It would also be difficult to link, without confusion, to the wider eligibility criteria which insist on claims within three of the last seven years. For many smaller charities and CASCs, this should be more than enough to prove their ability to manage donations appropriately. Overall the reliance on proving a track-record in Gift Aid to indicate lower risk of fraud is a major barrier to the policy having impact where it is needed.

8. If a matching requirement is introduced, do you think the £1 to £1 matching proposed would cause difficulties for any charities/CASCs? Would the additional complexity and extra cost of a different match, such as £1 GASDS donation to 50p Gift Aid donation be warranted? Are there any other ways of deterring fraud or other suggestions for how the matching should work?

We do not believe that the matching principle is an appropriate deterrent to fraud. Altering the ratio of the matching will increase complexity even further. There is a perception that changing the ratio so that the charity can claim more under GASDS than under Gift Aid will increase the exchequer’s exposure to fraud. However, we feel that the reasoning behind this is flawed for reasons set out in our answer to question 7. Any fraudulent activity which has got past the other restrictions is also likely to be sophisticated enough to deal with matching regardless. The implication that GASDS is more attractive to fraud because there is no paper audit trail required should be counteracted by the registration criteria and the relatively low limit for the scheme.

9. Do you have any other comments or suggestions on how the GASDS should work?

GASDS is in essence a limited grant offered to charities as a top up on small cash donations they have received. The link with Gift Aid and the Gift Aid administrative and payment process has meant that the scheme has become tangled with an anti-fraud model more appropriate to the tax system. The proposed structure for GASDS attempts to block fraudulent use of the scheme through legislated eligibility criteria, rather than applying safeguards within the mechanisms of running the scheme.

We appreciate that HMRC prioritises fast payment of Gift Aid claims and that this leads to increased risk. However, there have been a number of regulatory measures put in place in order to reduce the risk exposure to organisations newly registered with HMRC, for example, the Fit and Proper Persons Test.
Overall the scheme is extremely complex and difficult to understand even among those that are well-informed on Gift Aid. Without a drastic rethink of the rules it is likely to have an extremely low impact. Alternative approaches will most likely require an increase in exposure to risk, or an increase in resources put into administering the scheme. We have outlined specific recommendations in answer to the questions above.

It is also important to press forward with wider Gift Aid reforms, such as the introduction of online Gift Aid claims, as well as exploration of the potential for easy to use databases and a universal declaration. This would make it easier for smaller organisations to grow their use of Gift Aid. There is a concern that GASDS, while promising to offer a low bureaucracy option for relatively low value donations, will actually further complicate the Gift Aid landscape.

Our recommendations:

- The scheme should have a simple and robust application process which enables charities and their local groups to apply for a Small Donations Scheme limit of £5000.
- Record checks should be kept as simple of possible, with simple records of money being banked and a record that the funding was a cash donation being the maximum requirement should HMRC make an inquiry. This is likely to be information that the charity is recording anyway; additional bureaucracy and reporting should not be necessary.

10. Does the approach taken in the design of the GASDS create any specific equality issues – are there certain groups that have protected characteristics specifically disadvantaged?

It is difficult to identify the key groups that will be disadvantaged by this scheme. However, there may be issues regarding the equality of the scheme if it is found to be of more benefit to particular sub-sectors of charities than to others. The Government should in particular make strides to ensure that sub-sectors that are particularly likely to be participating in activities currently explicitly excluded, such as residential care, are able to make use of the scheme. Restricting the ability of these organisations to use GASDS will ultimately impact on the beneficiaries. Government should consider the equality implications if some groups of beneficiaries are disadvantaged in terms of access to the scheme.

11. How many charities that do not currently claim Gift Aid do you think will claim under the new scheme?

There are a great number of organisations that would be interested in claiming under this new scheme. The basic premise has the potential to support the smallest organisations through topping up the funds they collect and improving their use and understanding of processes such as Gift Aid. However, the eligibility criteria and other rules on matching and connected charities will actually make it very difficult to access for those charities that need it most. There is also a
strong concern that it will become confused with the Gift Aid scheme and will create more complexity where less is needed.

There are approximately 160,000 registered charities in the UK and around half are registered for Gift Aid. The scheme does not currently provide an incentive for those that are not registered with HMRC to do so as they will not be able to claim under GASDS for at least three years and will be required to make regular Gift Aid claims in the mean-time.

12. How many charities with local groups that do not currently claim Gift Aid do you think will claim under the new scheme?

It is very difficult to estimate the numbers of new charities and their local groups that will begin to make claims under the new scheme. If they were not previously claiming Gift Aid as an individual organisation this implies that they did not have the administrative resource to do so, or that the types of donations collected were not easily Gift Aided. The small donations scheme may provide the opportunity to begin to claim money when they previously would not have been able to.

Our recommendations:

- Ideally we would want eligibility criteria to be further loosened in order to allow more organisations to move into the scheme.
- As a minimum it would be helpful for HMRC to confirm that if the parent charity wishes to register a local group for GASDS the Gift Aid record of the parent charity will apply to the local group.

13. How long do you think it will take these parent charities and local groups to start claiming?

Larger organisations that are accustomed to Gift Aid and able to understand the scheme will be better able to make use of it in the first instance. The speed of take up will be determined to a large extent by the quality of the guidance and simplicity of the registration and claims processes.

There is a concern that the scheme could create confusion if charities and CASCs are led to believe that they are required to use this scheme for small cash donations. We are already aware that there has been confusion created in some local charities following the Budget 2012 announcement that the scheme would be extended to donations under £20, with some believing this to be a minimum limit for Gift Aid.

Our recommendations:

- It is important that the Government avoids confusion by making GASDS as simple as possible and by clarifying the distinction between this scheme and Gift Aid making it clear that one is a grant of public money and the other is a tax-relief.
• The name of the Gift Aid Small Donations Scheme should be changed to something simple and clearly distinguished from Gift Aid.
Conclusion and further suggestions

As outlined in the above response, the complex layers of regulation proposed here are likely to make the scheme very difficult to manage and understand. The limited funds available under the scheme (maximum of £1,250 per organisation) and the stringent eligibility criteria will most likely mitigate the risk of fraud, but at the cost of severely limiting access to the scheme. We propose that the Government looks to increase the scope of eligibility for the scheme in order that more organisations can utilise it once registered with HMRC.

The ‘community buildings’ and ‘connected charities’ rules are particularly difficult to understand. It should be enough to establish that the organisation is independent to all intents and purposes. Differing objectives, beneficiary group and different management and/or governance structure have all been discussed in this response as potential indicators of this. Further information and criteria can be outlined in guidance notes. If a charity wishes to operate as two separate organisations for reasons other than their eligibility for GASDS this should be allowed. The risk of fragmentation has been over-estimated as the amounts available would not be incentive alone for re-structure.

The matching principle is difficult to justify as an anti-fraud measure, and will be a huge barrier to the success of the scheme. We believe that the concept of matching should be removed altogether from the proposals and that the link with Gift Aid administration should stop at registration with HMRC.

Fraud could be mitigated to a significant degree through investment in the registration and vetting processes. Legislation could be used to empower HMRC to grant eligibility to local groups believed to be independent to a level necessary for the scheme. Charities and their local groups could then apply to be recognised individually.

We strongly recommend that the Government take on board the concerns outlined in this response and by others in the voluntary sector. It is important that the scheme is implemented in a way which works positively for the sector and critically for the organisations that need it most. If the scheme is implemented too fast, without simplification and improvements to access, it runs the risk of having a very low impact. This would be a huge wasted opportunity as the announcement of this scheme was definitely seen as a positive step by Government to support the organisations struggling most.