



Briefing: Gift Aid Small Donations Scheme

The issue

In Budget 2011, the Chancellor of the Exchequer announced the Gift Aid Small Donations Scheme (GASDS) that enabled a 'Gift Aid-style' payment to be claimed on up to £5000 of small cash donations per charity without the need for donors to fill in a Gift Aid declaration.

In May 2012 a Treasury spokesperson confirmed that the scheme is *"intended to reduce the administrative burden and boost the income of small groups that rely on bucket donations"*.

The scheme was widely welcomed by charities at the time, anticipating that it would be of particular benefit to the smallest organisations, encouraging them to fundraise and diversify their income.

Unfortunately GASDS has not met initial expectations. Figures released earlier this year by HM Treasury indicate that the GASDS has only cost £6m so far, significantly undershooting original estimations that the scheme would be worth £50m to the sector in its first year.

The Charity Finance Group (CFG), Institute of Fundraising (IoF) and the National Council of Voluntary Organisations (NCVO) recently conducted a survey with charities to better understand their experiences of the scheme and why the scheme is not being used more widely.

The findings highlight that it is the smallest charities who are finding it difficult to find out about the GASDS and then are struggling to work out if they qualify and then use it. This demonstrates to us that the scheme is not succeeding in supporting the charities in line with its original stated policy intent. With a number of larger and medium sized charities also experiencing problems, this highlights that there are inherent issues with the scheme itself; it cannot simply be just the case that smaller charities are having a problems due to a lack of knowledge and expertise.

What problems are charities experiencing?

Our research uncovered that charities have experienced a number of issues with the scheme, including:

1. **Finding out about the GASDS.** 38% of small charities surveyed (£10-100k) reported that they found it difficult or very difficult to find out about the scheme. Medium (£100k-£1million) and large sized (£1- £10m) organisations also found this challenging with 28% and 20% respectively reporting similar difficulties.
2. **Understanding the eligibility criteria.** This was particularly challenging for smaller organisations, 38% said they found it difficult or very difficult to understand compared with medium or larger organisations 17% and 21% respectively.
3. **Understanding what donations can be claimed on.** Again, this was most challenging amongst small and micro organisations, where 66% reported difficulty with understanding the types of donations they could make a claim on under the scheme.
4. **Understanding the claiming process.** A third of small charities found it difficult to understand the claiming process. Further, over a fifth of all respondents have been put off making a claim because the claiming process appeared too complicated.

“The claiming process is too complicated! Much clearer guidance needed please.”

“We have 53 Area Committees capable of collecting Gift Aid from their many events under the scheme but not enough resources in the accounting department to manage the nightmare that would result in their actually trying to implement it.”

5. **Low awareness of the scheme** was a commonly cited reason for not claiming on the GASDS. This was particularly low amongst small and micro charities with 21% and 46% respectively reporting that they did not know about the scheme and had not looked into making claim.
6. **Not yet eligible for the scheme:** Our research shows that a third of both micro and small charities are not yet to make claim under GASDS as the organisation has not yet existed for two complete tax years. These organisations could benefit most from making a GASDS claim as newer organisations need to be able to access income to invest and grow.

“Fortunately we also receive donations where donors Gift Aid it so we are able to 'match' but I would guess that many small charities struggle to meet the matching criteria which means they still miss out. The matching needs to be dropped altogether to really make a difference to small charities.”

What we'd like to see

The government has previously committed to a review of the GASDS after the first three years. However given the significant lack of participation by charities and the evidence for why this is, we believe that there is an overwhelming case for starting this review now.

The low claim rate demonstrates that early concerns of fraud and abuse through GASDS do not appear to have been borne out in practice. Therefore, CFG, NCVO and the IoF would like the review to consider relaxing the rules, to **enable any charity registered for Gift Aid to claim through the scheme (removing the requirement for charities to have been in existence for two years and have made two previous Gift Aid claims) as well as removing the matching requirement for donations.** These changes would encourage more small charities to access and claim through GASDS.

Other changes we would like to see considered in the review are **an increase in the amount that can be claimed through GASDS, as well as allowing non-cash donations to be claimed.**

We also call on the government to **fund a new promotional campaign to promote Gift Aid alongside charitable giving** to ensure that the value of donations to charity are maximised.

Finally, HMRC should work with the charity sector to gather data on the profile of organisations currently claiming GASDS so that we can identify those charities that need more support in accessing the scheme.

Our work

CFG, NCVO and IoF will continue to work with government and HMRC to reform the scheme so that it can reach its intended potential for the sector.

For further information or to support this work, please contact policy@cfg.org.uk or call 020 7871 5477.