

## Changes to Gift Aid Small Donations Scheme to take effect from 6 April 2017

The Gift Aid scheme allows charities and CASCs to claim an extra 25p for every £1 donated by UK taxpayers subject to certain conditions, including that the donor must provide a Gift Aid declaration. In recognition of the fact that it may not be feasible to obtain a declaration where small cash donations are made, e.g. where a charity conducts a street or religious service collection, the government introduced the Gift Aid Small Donations Scheme (GASDS). GASDS allows eligible charities and CASCs to claim a Gift Aid style top-up payment on small cash donations of £20 or less without needing to obtain a Gift Aid declaration or establish a link to the donor's tax record.

When GASDS was introduced, the government committed to reviewing it within three years. This review has now been concluded and has resulted in changes to GASDS, which will take effect from 6 April 2017. The changes are brought in by the Small Charitable Donations and Childcare Payments Act 2017 (the Act).

### Eligibility requirements

Under the current rules, an organisation can only claim under GASDS if:

- it has been recognised as a charity for tax purposes or registered with HMRC as a CASC for at least two complete tax years
- it has made a successful Gift Aid claim in at least two of the previous four tax years without a gap of two years between claims or since the last claim made

The Act removes both of these requirements, meaning that any entity currently recognised as a charity for tax purposes or registered with HMRC as a CASC can make a GASDS claim and there is no need for the entity to prove a history of successful Gift Aid claims. These changes should make it easier for newly formed charities to access the GASDS and will also simplify it, thereby making it more attractive for smaller charities and/or those with less capacity to assess their eligibility under the rules.

It remains the case that a penalty incurred by a charity in respect of a GASDS or Gift Aid claim will disqualify it from making a GASDS claim in the tax year in which the offending claim was made and the following tax year.

The claim limit under the GASDS also remains, meaning that in any tax year a charity can only claim a top-up payment on small donations totalling 10 times the amount of its Gift Aid donations from that tax year (so if a charity claims Gift Aid on £400 worth of donations it can claim a GASDS top-up payment on small donations worth up to £4,000), subject to a maximum "specified amount" (£8,000 from 6 April 2016). This means that the maximum top-up payment that can be received for a tax year is, at present, £2,000 (i.e. 25% of £8,000), subject to the community building rules (see below).

Where charities and CASCs are connected (where the same persons or connected persons have control over them and their purposes and activities are the same or substantially similar), they share the GASDS limit between them.

## Contactless payments

From 6 April 2017, donations made by contactless payment will also qualify under GASDS, covering payments made via contactless card and Apple/Android Pay or similar. Due to the development in card payment technology, it is now common for people not to carry cash, which presents a problem for those charities trying to attract street donations. Several charities have responded to this through the use of 'tap-to-pay' devices, for example Cancer Research's 'Tap to Beat Cancer' campaign and the recent trialling of contactless donation boxes by charities including Oxfam, NSPCC and the Royal British Legion. The inclusion of contactless payments in the GASDS is a welcome response to the changing face of charity collections; contactless payments appear to be fast becoming 'the new cash'.

Payments made by cheque, debit/credit card, text message or bank transfer remain excluded, on the basis that it is relatively straightforward to obtain a Gift Aid declaration when these methods are used and GASDS is not intended to be a replacement for Gift Aid.

## Community buildings

Under current rules, where a charity or group of connected charities (but not a CASC) carries out charitable activities in a community building, in addition to the usual GASDS top-up payment on up to £8,000 of small donations received anywhere in the UK (the Standard Amount), it can also claim a GASDS top-up payment on up to £8,000 of small donations received in each community building in which it carries on charitable activities (the Community Buildings Amount). If a charity conducts charitable activities in numerous community buildings then potentially its GASDS claim may be substantially increased.

The rules are changing so that:

- a charity, or group of charities, can claim either the £8,000 Standard Amount or the Community Buildings Amount, but not both. Therefore, from 6 April 2017, a charity or a group of charities will only be able to claim in respect of small donations of over £8,000 where there is more than one community building
- it is no longer necessary for donations to be received inside a community building for it to come within the community building amount; rather donations made in the local authority area in which the building is located can qualify

## Conclusion

The new rules are designed to simplify the GASDS and make it accessible to more charities. The extent to which they do this is up for debate, but the government has estimated that the changes will result in an additional £15 million per year being paid out to charities under the scheme. The scheme can result in a top-up payment of £2,000 per year (and possibly more if a charity operates in "community buildings"), so it is worth investigating if your charity can make a claim.

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