



Income tax: Gift Aid intermediaries

Who is likely to be affected?

Charities, donors and intermediaries for charitable donations.

General description of the measure

The measure introduces primary legislation that will enable regulations to be made which will allow non-charity intermediaries to have a greater role in processing Gift Aid claims on behalf of charities.

It will ease the administrative burden on intermediaries by relieving them of the need to receive a Gift Aid declaration for each individual charity a donor gives to through them, and similarly ease the process for donors of giving to multiple charities via a single intermediary.

It will also encourage the development of new platforms that allow people to donate in new ways.

Policy objective

The Government wants to maximise the take up of Gift Aid on eligible donations.

This measure will make it easier for donors to claim Gift Aid on donations to multiple charities, particularly those made through non-charity intermediaries via digital channels, thereby potentially leading to Gift Aid being claimed on a greater proportion of eligible donations and more relief going to charities.

Background to the measure

This measure was announced in Budget 2013. A consultation entitled *Gift Aid and digital giving* ran from July to September 2013, this was followed by confirmation in Budget 2014 that the Government would legislate, in Finance Bill 2015, to allow a greater role for intermediaries. Detailed regulations will follow.

Detailed proposal

Operative date

The primary legislation will have effect on the date that Finance Bill 2015 receives Royal Assent, with regulations setting out the detailed operating model(s) for non-charity intermediaries to be consulted upon and made thereafter.

Current law

The main legislation governing the relief is in Chapter 2, Part 8 of the Income Tax Act 2007 (ITA 2007).

Section 428 of ITA 2007 specifies the meaning of a 'gift aid declaration' (GAD) for Gift Aid and enables regulations to be made to cover what the declaration must contain, the manner in which it should be given and the way it should be recorded.

Currently a GAD can only be given by an individual who is the donor. Such individual must give the GAD directly to the charity.

Existing regulations relating to GADs reflect the current position that GADs are only given by an individual donor directly to the charity.

Proposed revisions

The changes will allow for GADs to be made by intermediaries representing individuals on behalf of those individuals and allow charities to use such GADs to claim Gift Aid.

In Chapter 2 of Part 8 of ITA 2007 (gift aid), section 416 (meaning of `qualifying donation`) is extended by the insertion of `or an intermediary representing the individual` to allow Gift Aid Declarations made by intermediaries on behalf of individuals to have effect as if they were made by individuals.

Section 428 (meaning of `Gift Aid Declaration`) is amended to cover such declarations. The power contained in Section 428 to made regulations regarding GADs is amended so that specific regulations can be made regarding declarations made by intermediaries on behalf of individuals.

Summary of impacts

This table of impacts has been completed on the expectation that the regulations prescribing the detailed operating model(s) for non-charity intermediaries will be drafted in line with the measure description and policy objectives set out above.

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	This measure is likely to decrease net receipts due to higher level of Gift Aid on donations. The final costing will be subject to scrutiny by the Office for Budget Responsibility.					
Economic impact	The measure is not expected to have any significant economic impact.					
Impact on individuals, households and families	<p>The measure is not expected to have any significant impacts on individuals or households, aside from a possible increase in the proportion of charitable donations upon which Gift Aid is claimed.</p> <p>The measure is not expected to impact on family formation, stability or breakdown.</p>					
Equalities impacts	No impacts are anticipated in respect of groups sharing protected characteristics.					
Impact on business including civil society organisations	<p>The measure should ease the ongoing administrative burden on a small number of intermediaries by relieving them of the need to receive a Gift Aid declaration for each individual charity. There are up to 139,000 charities that are registered for Gift Aid (of which around 66,000 claim Gift Aid).</p> <p>It is anticipated that intermediaries will incur one-off costs to familiarise themselves with this policy and to put systems in place to implement the change.</p> <p>Estimates of the impacts on intermediaries and charities will be established once details of the measure have been finalised.</p>					

Operational impact (£m) (HMRC or other)	There will be an impact on HM Revenue & Customs from administering and monitoring this scheme, and dealing with enquiries from customers. The degree of impact will depend on the detail of the changes implemented but is not considered to be significant.
Other impacts	Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be kept under review through communication with taxpayer groups affected by the measure.

Further advice

If you have any questions about this change, please contact Daniel Roff on 0207 270 4466 (email: Daniel.Roff@HMTreasury.gsi.gov.uk).

1 Intermediaries and Gift Aid

- (1) Chapter 2 of Part 8 of ITA 2007 (gift aid) is amended as follows.
- (2) In section 416 (meaning of “qualifying donation” for the purpose of gift aid relief) –
 - (a) in subsection (1)(b) –
 - (i) after “the individual” insert “, or an intermediary representing the individual,” and
 - (ii) after “the charity” insert “, or an intermediary representing the charity,”.
 - (b) after subsection (1) insert –

“(1A) For the purpose of subsection (1)(b) an intermediary is –

 - (a) a person authorised by the individual to give a gift aid declaration on behalf of that individual to the charity,
 - (b) a person authorised by a charity to receive a gift aid declaration on behalf of that charity, or
 - (c) a person authorised to perform both of the roles described in paragraphs (a) and (b).”
- (3) For section 428(3) (regulations in relation to gift aid declarations) substitute –

“(3) The regulations may also require –

 - (a) charities, or intermediaries within the meaning of section 416(1A), to keep records with respect to declarations received from individuals or from those intermediaries, and
 - (b) intermediaries to produce, for inspection by an officer of the Commissioners for Her Majesty’s Revenue and Customs, any records required to be kept by those intermediaries by regulations made under paragraph (a).
- (4) The regulations may also make different provision for different cases or circumstances, including –
 - (a) different provision for declarations made in a different manner or by different descriptions of persons, and
 - (b) different provision depending on whether or not an intermediary, within the meaning of section 416(1A), is involved in the giving or receiving of the declaration.”
- (4) The amendments made by this section have effect in relation to gifts made on or after a day appointed in regulations made by the Treasury.
- (5) Section 1014(4) of ITA 2007 (regulations etc subject to annulment) does not apply to regulations under subsection (4).

EXPLANATORY NOTE

INTERMEDIARIES AND GIFT AID

SUMMARY

1. Clause [X] amends Chapter 2 of Part 8 of the Income Tax Act 2007 (ITA 2007). It will enable regulations to be made which make it easier for donors to give to charity through an intermediary, such as an independent fund raiser.
2. The regulations should ease the administrative burden on intermediaries by relieving them of the need to receive a Gift Aid declaration for each individual charity a donor gives to through them. The measure should similarly ease the process for donors giving to multiple charities via a single intermediary.

DETAILS OF THE CLAUSE

3. Chapter 2 of Part 8 of ITA 2007 (ITA) provides for and regulates Gift Aid. Gift Aid is a tax relief which, subject to certain conditions, charities and Community Amateur Sports Clubs, can claim on gifts of cash from donors who pay income tax at basic or higher rates. Such gifts are referred to as `qualifying donations`.
4. Section 416 of ITA gives the meaning of qualifying donation and sets out the conditions a donation must fulfil to be a qualifying donation. Amongst other things, a qualifying donation must be the subject of a declaration given by the donor to the charity. This is called a Gift Aid declaration (GAD).
5. Section 428 of ITA gives the meaning of GAD. In accordance with section 428 ITA, a GAD must contain information that is required under the regulations relating to GADs. There are other requirements in section 428, but these are not relevant to this measure and are not discussed further in this note.
6. The regulations which have been made under s.428 and which are currently in force are The Donations to Charity by Individuals (Appropriate Declarations) Regulations 2000 and are set out in SI 2074 of 2000.
7. Paragraph (2)(a) of Clause [X] amends section 416 of ITA 2007 (the meaning of qualifying donation) by inserting provisions for Gift Aid Declarations (GADs) to be made by an intermediary acting on behalf of an individual making a gift and to be given to an intermediary acting on behalf of a charity.
8. Paragraph (2)(b) of the draft clause inserts a new section 416(1A) ITA which sets out what an intermediary is, and allows for the scenario where an intermediary acts on behalf of both the individual and the charity.

9. Subsection (3) of the draft clause inserts:

- new section 428(3) (a) of ITA which provides for the regulations which set out the requirements for GADs to require intermediaries to keep necessary records; and
- new section 428(3) (b) of ITA which provides for the regulations to require intermediaries to produce such records for inspection by an officer of HM Revenue & Customs.

10. Subsection (3) of the draft clause also inserts a new section 428(4) of ITA which enables the regulations to make differing provisions for different cases or circumstances, including, but not limited to, depending who makes and who receives the GAD.

11. The amendments will have effect in relation to gifts made on or after a day appointed by regulations made by the Treasury. It is expected that such day will coincide with the making of the new GAD regulations relating to intermediaries.

BACKGROUND NOTE

12. The Government's Gift Aid policy objective is to see Gift Aid claimed on as many eligible donations as possible.

13. The measure introduces primary legislation that formalises the roles of intermediaries in the Gift Aid. The measure will allow intermediaries to have a greater role in processing Gift Aid claims on behalf of charities. The regulations to implement the change will be brought forward next year.

14. The measure is specifically targeted at relieving the need to receive a Gift Aid Declaration from a donor for each donation an individual gives to charity through an intermediary. The process for donors of giving to multiple charities via a single intermediary will also be eased.

15. This measure was announced at Budget 2013. A consultation *Gift Aid and digital giving* ran from July to September 2013, this was followed by confirmation at Budget 2014 that the Government would legislate, in Finance Bill 2015, to allow a greater role for intermediaries.

16. If you have any questions about this change, or comments on the draft legislation, please contact David McDowell on 03000 585284 (email: david.mcdowell@hmrc.gsi.gov.uk).