

Gift Aid for Scout Group Membership Subscriptions

The 29th Odiham District (Pondtail) Scout Group operates a Gift Aid scheme in connection with membership subscriptions. This note is to explain the workings of the Gift Aid scheme.

What is Gift Aid?

Gift Aid replaced the former Deed of Covenant scheme in April 2000 for payments to charities. Gift Aid is a tax efficient way of giving: a donation made under Gift Aid (as with Deeds of Covenant) is made from of the donor's after tax net income and the receiving charity may reclaim the amount of standard rate income tax deemed to have been paid by the donor to the Inland revenue on that donation. For example if a donor gives £100 to a charity this is from the donor's after tax income and the Inland Revenue will allow the standard rate income tax (currently 22%) already paid by the donor on this part of his income to be reclaimed by the receiving charity, in this case ($\frac{£100}{0.78} - £100$) = £28.20. Thus the cost to the donor is £100 but the charity receives £128.20 (£100 from the donor and £28.20 reclaimed from the Inland Revenue). The donor cannot reclaim the tax himself, only the receiving charity can do this.

Who can use Gift Aid?

Anyone who has a UK tax liability (income tax or capital gains tax) for the tax year of the donation at least equal to the amount of tax to be reclaimed on the donation can make use of Gift Aid. The income tax liability can be on wages/earnings or on bank/building society interest, where tax has been deducted before payment. If the donor does not have sufficient tax liability, e.g. in the example above tax payable of at least £28.20 in the tax year, then Gift Aid is not applicable. If a donor pays tax only at the lower rate (currently 10%) Gift Aid can operate provided the total amount of tax that the donor must pay during the tax year is at least as great as the sum to be reclaimed.

Who can benefit from Gift Aid?

Any UK charity can receive Gift Aid on donations made to it. Most of the Scout Groups in the Odiham District operate Gift Aid schemes for membership subscriptions. Scout Groups are eligible through the Scout Association's charity status and several local Groups are also registered charities in their own names. This Group is registered separately in its own name, viz. charity registration number 276768.

The donor cannot receive any direct benefit from making a Gift Aid declaration.

How much tax can be reclaimed?

The donor must have a tax liability in the tax year at least equal to the actual amount of tax to be reclaimed on the donation to the charity. The amount of tax reclaimable is calculated at the standard rate of income tax (22%). If the donor pays tax at the higher rate (currently 40%) the charity can reclaim 22% only: however if the donor files an annual tax return the donation should be entered in the return and the difference in tax liability between the standard and higher rates will be credited to him (not the charity) through his tax code (viz. an extra £38.47 in the example above).

What is involved?

A Gift Aid declaration must contain:

- The donor's full name
- The donor's full address
- The charity's name
- A statement of the purpose of the payments
- A declaration that the donor wishes Gift Aid to apply
- A note explaining that the donor must have a tax liability at least equal to the sum to be reclaimed
- The date of the declaration

Unlike the old Deeds of Covenant scheme, Gift Aid can be retrospective to the date at which it was introduced, viz. 6th April 2000, and any membership subscriptions already paid to the Scout Group unit prior to making the present declaration are covered. The donor completes the Gift Aid declaration and returns it to the Scout Group, not to the Inland Revenue.

Is a new declaration required every tax year?

No, a Gift Aid declaration is valid indefinitely until cancelled. A Gift Aid declaration made in any year will cover membership subscriptions to the Scout Group unit in following years even if the subscription rate changes.

Can the Gift Aid be terminated?

A Gift Aid declaration can be cancelled by the donor at any time simply by telling the charity.

Is a separate declaration required for siblings?

No, one declaration covers all brothers and sisters (Scouting is open to all) in the unit because the declaration is not specific to a particular child.

Is personal tax information required?

No, just identity, viz. name and address. The charity has to maintain a record of who has made Gift Aid donations and how much. The charity does not receive any information about donors from the Inland Revenue. The charity has no knowledge about the donor's tax position, other than that the donor declares that he qualifies to make Gift Aid donations.

What does Gift Aid cost the donor?

Nothing.

What happens if my child leaves the Scout Group?

Tax relief is claimed only on donations made whilst the child is a member of the Group. If the child moves to another Group a new declaration should be made.

What happens if I stop paying tax?

If you will not be paying an amount of income or capital gains tax equal to the amount to be reclaimed then the Scout Group must be informed so that they do not make a claim.

Is it really this simple?

Absolutely! Do consider making payments via Gift Aid - please fill in the declaration and return it to your son's section leader. The Inland Revenue encourages Gift Aid payments.