

CHARITIES ONLINE: GIFT AID - BRIEFING FOR MEMBERS

30th November 2012

1. Introduction

At Budget 2011, the Chancellor announced that HMRC will introduce a new system which will enable charities and Community Amateur Sports Clubs to submit repayment claims for Gift Aid electronically. The new service, Charities Online, will launch in April 2013. It will replace the current R68(i) "print and post" repayment form with new options. The new system will mean that charities that have internet access will receive their payments quicker and it will be cheaper and more secure than sending forms, and in some cases discs of data, in the post. The new system will also allow for Gift Aid Small Donations Scheme payments to also be claimed.

While some charities were aware that changes would be taking place, it is not until now that HMRC have published the details of those changes so charities can look at what they need to do to prepare for the new system.

2. Are you ready?

This is a significant change to the claims processes that will be easier for some charities to implement than others. It is really important that you look at what your charity will need to do and put plans in place very soon to make sure that you will be ready in time. The changes will impact charities in different ways so it is important to understand what it means for your charity and produce plans, and in some cases budgets, for the changes.

If you are from a larger charity, look out for the letter that has been sent from HMRC to your nominated Gift Aid authorised official. It includes information to help charities take the necessary steps to prepare for the upcoming changes. The authorised official is sometimes the finance lead for the organisation, so if it is not you, then you should liaise with your nominated Gift Aid authorised official to ensure that your organisation has plans in place and you understand any implications of changes for your fundraising database.

If your Gift Aid claims are not large and you have not been sent a letter by HMRC, you may find it useful to read the information on the HMRC website to help you to prepare: <http://www.hmrc.gov.uk/charities/online/>

3. What you will need to do

The actions that you need to take will depend on which of the new options you will be using to claim Gift Aid and the systems that you currently have in place for making claims. For this reason, there is no simple checklist of actions that all charities can follow. This note provides an outline of the options and some questions to help you to think about the plans that need to be put in place for your organisation. It is not comprehensive and will not cover every scenario, but is intended as a starting point for you to develop your own plans.

4. Options for making claims

The current Gift Aid repayments form, R68(i), will be replaced by three new options for charities to claim Gift Aid repayments, tax relief on other income and Gift Aid Small Donations Scheme payments. These are:

- a) **Paper claim form** – for those without internet access and a very small number of Gift Aid donors.
- b) **Online portal route** – for those with under 1,000 donations in any claims.
- c) **Integrated software route** – for those with over 1,000 donations in claims or who wish to claim in this way as it best fits their system.

Based on the typical size of your claim, skip to the option most appropriate for you in the information below. You can claim as frequently as you would like to.

Whichever method you use, you should note that as well as changes to how the claims are made and the format that they are submitted in, there is also a change to the content of the donations schedules with additional information required that is not part of the schedules for the current R68(i). These new requirements include the house number or first line of the address as well as the postcode for the donor, and details of whether or not it is an aggregate donation or sponsorship donation. Further information about the changes to fields can be found at: <http://www.hmrc.gov.uk/charities/online/#2>

a) Paper claim form – up to 90 donations/records

For those who cannot access the internet, a new paper repayment claim form will be available. Note: this NOT like the current paper forms. It is a scanable form more like a passport form where one letter is entered in to each box and the form cannot be photocopied. Although it is possible to list the details of up to 90 Gift Aid donations on each claim form, it will take a long time to complete such a form, especially as additional donor address details are needed for the claim. In addition, it will take longer for the payments to be processed for paper claims than the other online ones. Unless you only have a handful of Gift Aid donations, if it is at all possible to use one of the other methods it is recommended that you do so.

For those using this option there are no immediate changes that need to be made. It is suggested that you ensure that your claims are up to date in March 2013 as it will be easier to submit what you can on the R68(i) forms before the changes. In April you will need to order the new paper forms direct from HMRC.

b) Online portal route – up to 1,000 donations/records

An online form will be available through the HMRC website as part of a Government Gateway. Charities will log-in to access their account. Charities Online will allow you to attach donor information to your online claim from a separate spreadsheet. In each claim you will be able to submit up to 1,000 Gift Aid donations and there is no limit on how many claims can be made in a day.

A downloadable spreadsheet template will be available through HMRC's website from April. This spreadsheet will be compatible with a wide range of spreadsheet programmes (for example Microsoft Excel) and can be saved in ODF (Open Document Format). As the spreadsheets are designed to be saved on your own computer you can also use it to keep track of your donations and enter them in there as you go along. There are also separate spreadsheets that will allow you to claim tax relief on other income and payments under the Gift Aid Small Donations Scheme.

If you currently “manually” produce your R68(i) donations schedule

You will be able to enter details directly in to the spreadsheet template which you can save on your computer or server. Alternatively, you will be able to cut and paste information from other spreadsheets into the template spreadsheet when you make an online claim.

For those using this option and producing the donations schedule in this way there are no immediate changes that need to be made. If you are planning to copy and paste information from other spreadsheets then you may wish to start recording the additional fields such as the house number or first line of the address from now to make the changeover easier.

Make sure you register for the new system when registration opens in the spring. If you usually prepare the Gift Aid claims but are not the nominated Gift Aid authorised official, then discuss with your nominated official how the claims will be submitted on the new system.

If your fundraising database generates your R68(i) donations schedule for you

Many fundraising databases have the functionality to work out which donations you should be claiming on, generate the R68(i) donations schedule and then mark the donations as claimed on. HMRC have been speaking to a number of suppliers already to support them to make the necessary changes.

Contact your database supplier to establish whether they will be producing an update to the claims report that will be compatible with the new claims method.

- If they are: find out what the timescales, process for installing the update and what any costs will be. What support will they give you to make the changes – especially if you have an older version of the software? Also establish whether the changes they are making will be producing a spreadsheet that can be used as part of the online portal route, or whether you will need to use the integrated software route – see section below for further information. Make sure you establish an internal plan of how and when the changes will be made to your database based on the information that you receive from your supplier.
- If they are not, or you are unable to make the changes in the way the supplier is suggesting: work out whether you are able to do a query to accurately select the correct donations and fields to produce the spreadsheet as per the template mentioned above in the “manual” online option. Make sure you have a way to exclude donations that you have already claimed on. If your database does processing to exclude donations from people who have stopped their declarations because they are no longer-taxpayers then make sure you are able to select donations in the relevant time-periods that the declaration was active. If you have joint declarations on your database, make sure your query is able to attribute these donations correctly. Test this to be confident of your new process. You may wish to do your next Gift Aid claim before the end of March using your usual R68(i) report generated by your database and produce your report based on your query at the same time to make sure that your query is set up correctly and does all the things that the clever algorithms that your database does in the background. If you are unable to select the correct records through a query, you may need to consider purchasing additional software in order to make the claim. Some suppliers are developing software specifically for this purpose.

Make sure you register for the new system when registration opens in the spring. If you usually prepare the Gift Aid claims but are not the nominated Gift Aid authorised official then discuss with your nominated official how the claims will be submitted on the new system.

c) Integrated software route – 1,000+ donations/records or automated systems

This is also known by HMRC as “Online externally developed software route” or “XML format”. This is where, after the initial set-up, your database links directly in to the Government Gateway so you don’t have to do the processing yourself and you will simply need to trigger the claim to be submitted. By using this route you will be able to list up to 500,000 Gift Aid donations details in any one day.

If you have an “off the shelf” fundraising database

Many fundraising databases have the functionality to work out which donations you should be claiming on, generate the R68(i) donations schedule and then mark the donations as claimed on. HMRC has contacted many charity software providers and believe that most suppliers will be able to provide this service.

Contact your database supplier to establish whether they will be producing an update to the claims report and process that will be compatible with the new claims method using this route.

- If they are: find out what the timescales, process for installing the update and what any costs will be. What support will they give you to make the changes – especially if you have an older version of the software? Also establish whether any infrastructure changes might be needed – for example, if your server needs to be set up in a way that can access the internet to be able to link to the Government Gateway. Do changes just need to be made to the server? Or do the desktops need to be updated too? Make sure you establish an internal plan of how and when the changes will be made to your database based on the information that you receive from your supplier. In some cases you may need to install previous updates from your supplier before you are able to install this update which may amount to a significant upgrade and your database might not be available to users for a short period while changes are being made. Ensure you leave time for testing the changes the supplier has made.
- If they are not, or you are unable to make the changes in the way the supplier is suggesting: are you able to do your claims more frequently so that they are under 1,000 lines each and use the online portal route in the section above? Otherwise you may need to consider purchasing additional software in order to make the claim. Some suppliers are developing software specifically for this purpose. If you are unable to find a mechanism that is suitable for you then you should discuss this with HMRC in the New Year when further information about the changes is available.

If you have a “bespoke” fundraising database

Some charities have developed their own databases and systems used to generate the R68(i) donations schedule.

Ask your IT team or developers to study the “Tech Pack” on the HMRC Charities internet site. This gives the technical specification that must be followed to make claims through the software route. This is available at:

<http://www.hmrc.gov.uk/softwaredevelopers/gift-aid-repayments.htm> Additional technical information will be added to this in coming weeks and there is also a helpline for further information.

If you are unable to make the changes to link to the Gateway, are you able to do your claims more frequently so that they are under 1,000 lines each and use the online portal issue above? Otherwise you may need to consider purchasing additional software in order to make the claim. Some suppliers are developing software specifically for this purpose. If you are unable to find a mechanism that is suitable for you then you should discuss this with HMRC in the New Year when further information about the changes is available.

5. Other things to consider

- Do you have any agents or outsourced suppliers that claim Gift Aid on your behalf? The big charity platforms have been briefed by HMRC, but others may not have heard about the changes or may not be planning for them. Check if there might be changes needed or delays in receiving repayments from other organisations that claim Gift Aid on your behalf.
- All charities will need to be making these changes so database suppliers and developers may not be able to provide support to all their clients at the same time. If you identify that you need support for changes, try to schedule the work in early and consider that there might be delays.
- There is potentially going to be a period at the end of March and possibly going in to April when there is a slight delay in repayments being made while HMRC systems changes take place so it could be worth factoring this in to cash flow forecasts if money is particularly tight. It may be worth ensuring that all Gift Aid claims are up to date in early March before the changes are made.

6. Next steps

At this stage you need to:

- Ensure you understand the options and identify which option you will be using to make claims.
- Identify what you need to do in order to be ready to make claims and put the plans/budgets in place to make any changes needed.
- Communicate the changes internally so those that may be affected or need to support the implementation of the plans are aware of what they need to do.

January to April 2013:

- Look out for further communications from HMRC in the New Year to your nominated Gift Aid authorised official with additional details, including how soon charities need to start using the new claim methods.
- Ensure that you register for the new system when registration is opened by HMRC. If you are not the nominated Gift Aid authorised official but prepare the claims, agree how the claims will be submitted.
- Implement the plans identified above, including database software updates.

It is recognised that not all charities will be able to make the changes by April 2013 and HMRC is currently reviewing implications for those unable to make this timescale. Further information will be published on the HMRC website in January.