

CHARITIES AND CASCs – FUNDRAISING WITH THE BENEFIT OF GIFT AID

Background

Chapter 3 of the HMRC Guidance Notes for Charities on Gift Aid (www.hmrc.gov.uk/charities/guidance-notes/chapter3) provides useful guidance on where charities or Community Amateur Sports Clubs (CASCs) can use gift aid in their fund raising activities. The chapter describes two types of situation which may be particularly helpful to fundraisers:

- Split payments (Paragraph 3.34).
- A voluntary donation paid in addition to the set ticket price for an event which is at a level to at least recover the cost of the event - dual payments (Paragraph 3.52.6).

Split Payments

An example of where the former principle can apply is an Auction and Paragraph 3.49.9 specifies to which items the split payment can apply:

- The item purchased must be generally commercially available ie not just made available for the event and
- The donor must be aware at the time he or she makes a successful bid that the item could be purchased and for what price. ie the value must be made known before the event eg in the advertising of the auction items.

In this case the excess over the commercial price for the item can be treated as a donation qualifying for gift aid.

It is advisable for the charity and donor to keep evidence of how the total price paid by the donor at auction was split – a sample form to be signed by the donor is attached as Appendix 1. This principle can be applied to promises of services where the promise offered is commercially available (eg the letting of a cottage available generally – see Exemption Paragraph 3.49.9).

Ticket prices, donations and events

The circumstances in which a donation element qualifying for Gift Aid can be made in connection with an event are described in Paragraph 3.52.7. This states that a charity can charge a set ticket price (not gift aid able) and in addition request a donation that can be Gift Aided (a dual payment as opposed to a split payment). However, any donation:

- Must not be compulsory such that it has to be paid in addition to the set ticket price to attend the event. That is the payer must be able to pay only

the ticket price to attend the event; and

- The payer must be aware of that at the time he makes the donation (the ticket and/or event literature must make it clear).

However a charity or CASC should not put its funds at risk and should therefore should set the ticket price at a level to at least cover its costs (Paragraph 3.52.6).

Paragraph 3.52.8 then goes on to provide some examples of where and how the principle can be applied.

The types of fund raising events carried out by voluntary organisations are many and varied and there follows a list of typical events where this principle could be applied in a relatively straightforward manner:

- Dinners.
- Balls.
- Banquets.
- Dances and disco's.
- Concerts, music evenings and festivals.
- Firework displays.
- Shows and fairs.
- Galas

The same principle could also be applied in the case of events and fund raising activities where cash or other prizes are offered, provided that the stated ticket price covers the cost of the event including the cost of prizes:

- Race nights.
- Casino nights.
- Raffles.
- Fantasy football/sports leagues.

The principle can also apply to purchases of calendars, cards and the like where the price paid is in excess of their normal price.

Finally, the principle could be used by a qualifying sports club to offer an insight into the club to non-members by suggesting a donation in relation to 'open days' or 'taster sessions'.

In all of these cases the dual payment principle will only work if the charity or CASC is prepared to take the risk of people paying less than any anticipated donation or even nothing at all. In all cases appropriate documentation should be retained to evidence the donations received.

Richard Baldwin
Telephone No: 01494 730059
rkbaldwin@btinternet.com

CHARTITIES AND CASCS – AUCTIONS

[CHARITY/CASC NAME]

I confirm that I have just purchased an item at your auction on -----
--- for £----- . I understand that the normal purchase price is £----- and
that accordingly I wish to treat the additional £----- I have paid as a
donation to [name of charity/CASC] qualifying for Gift Aid. [I confirm that I
have or will pay an amount of Income or Capital Gains Tax at least equal to
the tax [name of charity/CASC] will reclaim on this donation].

.....
Name

.....
Date