

GIFT AID - Claim for a 'Top Up' payment (TUP) for small cash donations [revised February 2017]

[This is a brief summary of the provisions relating to eligibility for a TUP, but reference should also be made to the comprehensive guidance issued by HMRC available at:

<https://www.hmrc.gov.uk/charities/guidance-notes/chapter8/index.htm>

and, in relation to making claims, at: <https://www.hmrc.gov.uk/charities/gasds/how-to-claim.htm>]

The TUP is not a refund of tax, though it is calculated in the same way as tax refunded on Gift Aid donations, and is limited to small donations (not exceeding £20 each) up to £8,000 received in any one tax year, giving rise to a maximum TUP of £2,000. Because a TUP is not a refund of tax, donors cannot claim tax relief on small cash donations. Conversely, donations for which GAR is being claimed cannot also be included in a claim for a TUP.

For tax years up to and including 2016-17, in order to be eligible to make a TUP claim it is necessary (a) for a charity to have been established for at least two complete tax years, and (b) to have made successful GAR claims in at least two of the previous four tax years, with not more than a one-year gap between any two claims. These conditions have been removed with respect to tax years commencing 6 April 2017.

However, it is still necessary for a charity to have made, in the same tax year, a GAR claim on donations received under Gift Aid declarations of at least £1 for every £10 of small donations upon which a TUP is being claimed. For example, if the maximum top-up payment of £2,000 is to be claimed on small donations of £8,000, there must also be Gift Aid donations of at least £800 in the same tax year.

A charity incurring a penalty under the GAR or GASDS provisions (eg for an inappropriate or incorrect claim) will be excluded from making a claim under GASDS for the tax year in question and the following tax year, though any such exclusion will not affect GAR claims.

Claims for GAR are made on an accounting year basis but a claim for a TUP has to be made by reference to the tax year. However, both claims can be made together, and if the two periods do not coincide (eg where the accounting date is, say, 31 December) the choice will be either –

(a) to include a claim for a TUP for small donations received in the period from 6 April to 31 December when submitting a GAR claim for the year to 31 December, followed (insofar as the maximum payment has not already been claimed) by a further TUP claim in respect of small cash donations received in the subsequent period from 1 January to 5 April; **or**

(b) to exclude the claim for a TUP when making the normal GAR claim for the year to 31 December and then make a separate TUP claim for the tax year to 5 April.

Regulations have been made governing the administration and operation of the *GASD* scheme which effectively require that -

- Small cash donations (ie not exceeding £20) entering into a claim will need to be separated from any other cash donations received, including those made under Gift Aid declarations.
- Where it is uncertain whether a particular gift is £20 or less, the payment may be treated as a small donation provided reasonable steps have been taken to ascertain the position. For example, if there is no evidence that 2 x £20 notes came from the same donor they may be taken to be separate gifts, but if notes totalling more than £20 are folded together this would suggest that they have come from the same person and would therefore not qualify as a small donation. Likewise, if the amount enclosed in a non-Gift Aid envelope exceeded £20 the donation would not qualify as a small donation.
- Cash means exclusively notes and coins (of any currency) so that non-Gift Aid donations received by cheque, standing order or electronic transfer will not qualify as small donations. However, with effect from 6 April 2017 donations of up to £20 made by way of contactless payment will also qualify - though this is unlikely to be of interest to Baptist churches!
- The small donations entering into a claim for a *TUP* must be seen to be banked in the church bank account in their entirety, which means that deductions to meet minor items of expenditure should not be made from small donations cash.

There is, therefore, a need for separate analyses of notes and coins as between (a) qualifying small cash donations (including any in non-Gift Aid envelopes) and (b) all other donations including non-qualifying small cash donations and Gift Aid donations.

There are provisions for charities to make a *TUP* claim in respect of donations received in relation to qualifying activities carried on in 'community buildings' and this is of particular interest to branches of national charities and to charities deemed to be 'connected' with one another, which is the case in some denominations. However, HMRC acknowledges that each Baptist church is a separate legal entity, unconnected with any other church. Whilst, hitherto, it might have been possible for a church to claim an additional *TUP* in respect of qualifying activities carried on in a separate community building (ie in addition to those carried on at its home base); with effect from 6 April 2017 a charity will only be able to make a single *TUP* claim either (a) in respect of small donations received from whatever source or (b) in respect of qualifying activities carried on in a community building (or more than one if in different local authority areas) , whichever is the more beneficial.

With a view to avoiding any misunderstandings in making a claim, you may wish to have regard to the following when inputting answers to particular sections of the online or paper claim form, but please be aware that there may be changes in format in relation to claims for the year 2016-17 onwards.

On the page headed – *Repayment claim details:*

Are you claiming Gift Aid	Yes
Are you claiming under GASDS	Yes
Your HMRC claim reference number

If you indicated you are claiming a top-up payment under GASDS you must provide the information below.

Are you claiming under GASD for any donations received by your organisation	Yes
Are you claiming for donations collected in community buildings	No
Are you connected to any other charities or CASCs for the purpose of GASDS	No

On the page headed – *About your organisation:*

Name of charity regulator
Charity Registration number

Charity Commission for England & Wales
Your Charity number (not HMRC ref) **or**
(if not yet registered) Excluded from
registration

On the page headed – *Gift Aid Small Donations Scheme (GASD) schedule*

Enter the total amount of small donations received in the relevant tax year

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The foregoing notes are offered by way of general information to Baptist churches but neither the contributor nor the Baptist Union of Great Britain can accept responsibility for any loss arising from any action, or failure to take action, in consequence of material contained therein. If in doubt independent professional advice should be sought.

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