

GUIDE 6: Can we claim on?

Overview

This note aims to help parishes maximise Gift Aid income by reclaiming tax on all eligible occasions. With a little creativity, you may be able to claim Gift Aid more often than you think! However, it's a complex area so seek further advice from HMRC or from your diocese if you remain unsure.

Introduction

The table below summarises which common church fundraising events may/may not be eligible for Gift Aid. More technical details and examples are given after that, but you probably won't want to bother reading the full details unless you are planning to make use of Gift Aid at one of these events, in which case you can just read the relevant section.

Raffles, the tombola, competitions at the church fête?	NO.
Jumble sales, car boot sales etc, and sales of donated goods?	NO for jumble sales etc. POSSIBLY for sales of donated goods but it's complicated.
Auctions of Gifts or Promises?	NO except POSSIBLY in some cases but it's complicated.
Gifts in Kind and Volunteers' Expenses?	YES, BUT ONLY by following a certain process which ensures a sound audit trail
Church events eg suppers, dinners / balls, quiz nights?	NO if entry fees/ tickets are required, BUT you can invite additional (unconditional) donations.
Supporting a parish member on a mission posting, making a donation towards salary of parish youth worker etc?	YES, EXCEPT if paid directly to or for the missionary/ worker.
Sponsor money from Sponsored Events?	YES, EXCEPT where sponsor money goes towards the cost of a sponsored challenge.
Entry fees to see the building?	NO , unless you charge all visitors and an additional 10% is donated.

Entry fees for events in the building eg concerts, exhibitions, plays	NO , except POSSIBLY for entry fees to exhibitions.
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We aim to set out the rules clearly but beware; it is not always straightforward. Make sure you seek further advice before claiming Gift Aid on a donation if you are not sure whether it is eligible for Gift Aid. If you claim for something which is not valid, even in good faith, you may have to repay the Gift Aid wrongly claimed, with interest and possibly a penalty fine. Better to check first!

Where an event is not eligible for Gift Aid, we suggest ways in which you could alter the event to make its proceeds eligible for Gift Aid. Some of these suggestions will only work with the good will of supporters. Parish churches have an advantage over many large national charities here in that you usually know your donors well and can rely on their co-operation!

In more detail...

• **Raffles, the tombola, competitions at the church fête?**

No. In all of these cases the donor is effectively paying for the opportunity to win a prize; it is a purchase not a donation. The value of the prize, the likelihood of winning and the person's motivation in buying the ticket are not relevant.

• **Jumble sales, car boot sales etc, and sales of donated goods?**

For jumble sales, car boot sales, bring-and-buy, bric-a-brac sales etc, even if they are held in aid of a charity or the church, the answer is no. This is because a person handing over money at such an event is a buyer not a donor; they get something in exchange for their money. Theoretically, it is possible that a person might give over-the-odds for an item of jumble because 'it's for a good cause.' However, he/she would have to pay 4 times the value of the item in order for the payment to be treated as a Gift Aid-able donation. This is because of the Benefit rules, which say that any item or 'benefit' received in exchange for a donation must be less than 25% of the value of the gift.

It is not only unlikely that a person would pay 4 times the value of a jumble item, it is also usually impossible because you would have to know the exact market-value of the goods in order to calculate 4 times that value. Of course, the goods are usually second-hand at jumble sales/similar, so you can't know what the market value of the item is. In those circumstances, the market value of the goods is deemed to be whatever a buyer will pay – which makes it impossible for him/her to pay 4 times that value!

Note that market-value relates to the price a customer would have to pay for the item commercially, not the cost of the goods to the church (which would be zero assuming they were donated).

There is nothing to stop you putting collection boxes and Gift Aid envelopes for general donations somewhere prominent at the jumble sale!

Sales of donated goods are more complicated, but in the interests of keeping life simple, we recommend that you take the answer as NO. NB We're talking here about brand new goods donated for sale. Second-hand goods cannot be Gift Aided because they suffer the problem of unknown market value, as outlined for jumble sale items above.

Suppose Mrs Harrod donates to the church a brand-new item – say a hamper of food from a well-known retailer that she was given for Christmas. The hamper is available to buy commercially so you can verify its market-value (unlike the jumble goods). However, the church definitely cannot claim Gift Aid on the market-value of the hamper given because Gift Aid only applies to gifts of money. Further, the church cannot sell the hamper at the market-price and claim Gift Aid on the takings, because the person buying the hamper from the church is making a payment, not a gift, and receiving the benefit of the hamper's contents in exchange.

If the purchaser of the hamper decides to pay over the market value for the hamper, 'for the good of the cause.' The excess amount paid over-and above the market-value can be treated as a Gift Aid-able donation. This is known as a 'split payment;' part of the money is in payment for the goods, and the remainder is a gift. However, this is only permissible i) if the market-value of the hamper can be externally verified (eg by reference to the retail price of the exact same item in a catalogue, online or in a local shop) and ii) if the purchaser is made aware by the church that he/she is paying £xx above the market-value, and he/she still chooses to go ahead at the above-market-price.

We suggest it would be easier here for the purchaser to pay the asking-price for the hamper and make an entirely separate donation to the church if he/she chooses to do so. That donation must of course be unrelated to the purchase of the hamper; you cannot offer to sell the hamper only on condition that the purchaser makes an additional donation. But at least this way you don't need to worry about verifying the market price or ensuring that the purchaser is fully cognisant.

• Auctions of Gifts or Promises?

Generally, no, because in an auction of goods or promises, the purchaser receives a benefit and so is making a payment, not a gift. Further, often the market value cannot be identified because the goods are second-hand or not usually commercially available (eg the promise of an evening's free baby-sitting). Without an externally-verifiable market value, the value of the 'promise' becomes whatever the bidders will pay for it. It is therefore impossible for the purchaser either to meet the benefit limit requirements (because the benefit they receive will be worth exactly the same amount as the payment they make) or to use the split payment arrangement (cf sale of donated goods at above market price).

However, HMRC recognises that a person at a charity auction might well pay over the odds for an item because 'it's for a good cause' and so it outlines a scenario where Gift Aid would be possible. There must be an externally-verifiable market value for the item, and of course the 'donor' must be eligible for Gift Aid and make a valid Declaration.

HMRC's example is: Suppose the church auctions a football whose market value is £10 – ie the football is new and is commercially available for £10. If the football were to be auctioned off for £40, the whole £40 could be treated as a Gift Aid donation because the benefit (the £10 football) received by the 'donor' falls within the 25% benefit limit.

Suppose the football is auctioned for £30. The benefit (whose value is £10) clearly then exceeds the 25% limit. In this case, the church must tell the bidder that the ball is commercially available for £10. If the bidder is still willing to pay £30, knowing the ball's market value is £10, the £20 difference can be treated as a donation and Gift Aided. This is in effect the split-payment arrangement described above.

If, however, the football is signed by every member of the local football team or, say, once belonged to David Beckham, the ball is no longer generally commercially available and its market value cannot be determined. Here, the value of the signed football becomes whatever a bidder is willing to pay for it, and Gift Aid is not possible.

At an Auction of Promises, Gift Aid will not usually be possible. This is because the 'promises' up for auction (lawn-mowing, car-washing, baby-sitting etc) are not usually commercially available, which means that no market-value can be identified and so the benefit rules will be breached (cf jumble sales or the signed football above).

An exception might be if a member of the congregation owns a restaurant and offers a free meal to the auction worth £10 (£10 being the menu price, not the cost to the restaurant). If someone bid £40 for the meal, that £40 could be treated as a Gift Aid-able donation (cf the football above). If someone bid £30, the excess £20 could be treated as a donation (cf the football above), as long as the bidder is made aware of the commercial value of the meal and is still willing to pay the surplus £20.

You may decide it will take something away from the atmosphere at your auction if you stop to explain all this at every bid's conclusion! In that case, you would need to treat auction income as non-Gift Aidable. However, there is nothing to stop you putting collection boxes and Gift Aid envelopes for general donations somewhere prominent at the auction!

• Gifts in Kind and Volunteers' Expenses?

Yes – but only if you follow the correct process!

We have seen that Gift Aid is only payable on gifts of money. So if someone in the church buys flowers every week out of his/her own pocket for the church, the church cannot claim Gift Aid on the value of the flowers. However, if you wanted to maximise your Gift Aid income, you could suggest that your generous flower-buyer submits receipts for the flowers he/she purchases, claims the money back from the church for the flowers, and then separately donates it to the church. The money must be paid to the flower-buyer, and then given back again. This last donation can be Gift Aided as long as the flower-buyer gives it freely, without obligation, and is an eligible UK taxpayer and makes a valid Gift Aid Declaration.

It is important in this scenario to have a sound audit trail; you can't just enter the value of the flowers on the Gift Aid claim form as a 'book entry.' There should be receipts for all flowers purchased and records of the matching expenses paid to the flower-person. The flower buyer's donation is technically not connected with his/her flower-buying.

This process admittedly involves a little extra paperwork for the treasurer and flower purchaser, but you may find it worthwhile; it is one of the simpler ways of increasing your Gift Aid income. Many volunteers are happy to pay various expenses eg travel, stamps, etc themselves to save the church money, and you could use the above process to boost Gift Aid income in those cases too. This can include petrol mileage as long as the amount claimed falls within the HMRC approved rates and allowances.

There are no personal tax implications for a volunteer receiving money in this way as long as the money is simply reimbursing expenses he/she has incurred on behalf of the charity; the volunteer is not employed and is not receiving remuneration for his/her services.

Remember that there must be a solid paper-trail; the church must physically pay the expenses after seeing valid receipts, and the volunteer must be free to choose whether or not to donate his/her expenses money to the church. You cannot offer to pay expenses only on condition that the volunteer Gift Aids them back to the church!

You also cannot use this process if, for example, a local auditor does your audit for free. If you paid the auditors their market rate and the auditors donated it back to you, the gift would be from a company and so not Gift Aidable anyway.

- **Church events eg harvest suppers, dinners, balls, concerts, quiz night?**

No, not if these events are ticketed or require entry fees. This is because the money in question is a payment to buy a ticket, not a donation.

The only way in which you could earn Gift Aid income at this sort of event would be to charge a fixed ticket price (which would not be Gift Aid-able) and invite additional voluntary donations (which might be Gift Aid-able). Any additional donations would only be Gift Aid-able if they were gifts freely given and not a condition of entry to the event.

For example, if you charge £3 for tickets and require a minimum additional donation of £2, that additional £2 cannot be Gift Aided because it is an entry requirement not a donation; you are in effect charging £5 for the benefit of enjoying the event. However, you could charge £3 for the ticket but print in the parish magazine or on the notice sheet or ticket etc something along the lines of: 'Additional donations welcome. Suggested additional donation £2, but this is not a requirement and you can enjoy the whole event by paying the £3 ticket price alone.' In that case, any additional donations received would be eligible for Gift Aid, because you have made it clear that they are voluntary contributions.

Those paying just the £3 ticket price and those making an additional donation on top must be treated exactly the same at the event, so that the additional donation really is a free donation and not connected to any additional benefit..

This '£3 + additional voluntary donation' method may work better for more 'internal' events such as a Lent Supper where everyone attending is likely to understand the situation and donate that additional £2+ freely. However, you should be careful; HMRC warns against being tempted to set the ticket price for events too low in the hope of attracting lots of Gift Aid-able donations on top, because this could backfire if you do not receive the level of donations you anticipated. You might even be left unable to cover your costs for the event, which would not be in the interests of the church. You need to strike a balance between maximising your income and maximising your Gift Aid-able income. On the whole, it's probably safer to charge a higher ticket price for everyone (with no Gift Aiding) and have usual donation boxes and envelopes out and about at the event to encourage additional Gift Aidable generosity.

HMRC's Guidance gives lots of helpful clarifications; for example, it notes that if you make £500 at an event, this cannot be Gift Aided because it is a profit not a donation.

- **Supporting a member of the parish on a mission posting or making a donation towards the salary of the parish youth worker?**

Yes but only when done indirectly through, for example, a mission agency or the PCC, and where the gift is to the mission agency or PCC itself, not to any one named individual. You

could also give to support a missionary or youth worker through Stewardship (www.stewardship.org.uk) – which is often the easiest way.

HMRC considers that donations made personally to a missionary to support him/her overseas are no different from supporting a friend or relative financially in the UK, and these sorts of payments do not qualify as Gift Aidable gifts; the individual family member is not a charity.

However, if the donor makes a donation to the missionary society deploying the missionary, which is a charity, that would be eligible for Gift Aid in the usual way.

HMRC says: 'Where, for example, a missionary society says to its workers "It costs us £10,000 a year to support you while you carry out your charitable work. We look to you to raise at least this amount of funds for the society through donations from family, etc" the donations may qualify under the Gift Aid scheme. Where, on the other hand, a missionary society says to its missionaries "It is up to you to support yourself while you carry out your charitable work, with the help of your family, etc. If your family wish to send you money they can do so via the Society," payments will not qualify under the Gift Aid scheme'.

It is important that the donor does not make a donation to the mission agency or PCC with a very specific condition attached, eg that the money be used solely to feed or clothe the missionary or youth worker. That sort of donation would not be eligible for Gift Aid; HMRC specifically says that the donation must be 'unfettered.'

Similarly, if the church decides to employ a parish youth worker and invites donations from members of the congregation towards the salary and costs of the worker, donations from members of the church towards that purpose would be eligible for Gift Aid if they are made to the PCC (whether to a restricted or designated fund; if you are not sure of the difference, see <http://www.parishresources.org.uk/treasurers/funds.htm>) but they would not be eligible for Gift Aid if paid directly to the youth worker.

• Sponsored Events

Yes, except that Gift Aid cannot be claimed on any registration fee paid to enter the event, nor can Gift Aid be claimed on any sponsor money which goes towards the registration fee or costs of the event. Further, Gift Aid cannot be claimed on sponsorship from anyone related to the participant if the participant gets a benefit in return for that sponsor money. These rules are aimed mainly at charities which organise major sponsored 'challenges' eg walking the Great Wall of China. Although few churches will be organising major sponsored events like that, it is easiest to illustrate the point with reference to an adventure trek.

Suppose a person is being sponsored to climb Kilimanjaro. S/he pays a £50 registration fee and must raise £2,000 in sponsorship. Clearly, the benefit that the participant receives (travel to Tanzania, food and accommodation, guides for the trek etc) will exceed the benefit limits; the benefit the participant gets will be far more than 25% of £50. Therefore, the charity cannot claim Gift Aid on the participant's registration fee. Further, Gift Aid will not apply to any sponsor money given to the participant by a relative (a 'connected person'). This is because some of the sponsor money will go, in effect, towards buying the benefit for the participant; the relative is in a sense paying for the participant to go on an adventure holiday, and HMRC takes the view that that is not a charitable donation.

The easiest way for the charity to get round this complexity is to charge the participant a registration fee which covers the market value of the trip AND ask the participant to pay the fee from his/her own pocket. The registration fee would not be Gift Aidable because it would be payment for the trip, not a donation. But because the participant has paid for these costs, he/she will receive no benefit from sponsor money donated in relation to the trek, which means that all the sponsor money raised by the participant is a straightforward donation to the charity and will be Gift Aidable.

If the participant is unable to pay the full registration fee or cost of the trip from his/her own pocket and has to resort to sponsorship, Gift Aid can only be claimed on the portion of sponsorship which is over and above the cost of the event. For example, if the cost of the trip (registration fee) is £1500 and the participant raises £2500, only £1000 can be Gift Aided. This is rather like the 'split payment' scenario for selling donated goods.

The rules outlined above apply equally to a sponsored run round the parish or sponsored abseil down the church tower. The simplest thing is to make sure that the registration fee paid by the participant covers the value/cost of the event. This fee cannot be Gift Aided because the participant is effectively buying the opportunity to do the run or abseil. However, as long as the fee covers the costs (the market value of the benefit), all sponsor money raised by the participant can then be Gift Aided by eligible donors. This includes money given by the participant's relatives because the participant is not getting any benefit as a result of the sponsors' donations, having paid for the cost/benefit of the event him/herself already.

- **Entry fees to see the building?**

Generally no - unless you are prepared to charge all visitors an entry fee and if the Gift Aiding visitor makes an additional donation of at least 10% of the standard admission charge paid by other non-Gift Aiding visitors.

Obviously this is not relevant if you don't charge an admission fee to see your building. If you don't, you should still display a prominent notice in the church asking visitors to make a donation to the church using a Gift Aid envelope. If you do charge an admission fee, you can claim Gift Aid on the fees if the person makes a donation of at least 10% of the admission fee. So, for example, if you charge a £5 entry fee, your Gift Aid entrants must give you £5.50 at the door. You can then reclaim tax on the full £5.50. However, you must make it clear that anyone can enter the building simply by paying £5; the decision to donate an additional 10% and complete a Gift Aid Declaration must be freely made and you cannot deny entry or restrict access to anyone who does not donate the additional 10% and complete a Gift Aid Declaration.

There are further rules that may allow you to grant a person and his/her family members annual admission to view your church in return for a one-off Gift Aid-able donation. These rules are complex and are aimed more at National Trust properties etc. They may be of interest to cathedrals but are unlikely to be relevant to most parishes and so we omit them here. Charities are advised to contact HMRC Charities Section for advice if contemplating this.

- **Entry fees for events in the building eg concerts, exhibitions, plays?**

Generally, no. It could be possible for some exhibitions, but it is far too complicated to be worth it. As shown in the bullet points below, performances (concerts, plays, recitals etc)

are specifically excluded by the HMRC rules which govern when charities can claim Gift Aid on donations made in return for a right of entry.

Conclusion

We encourage you to take advantage of Gift Aid on all occasions possible. You may be able to increase your income using some of the suggestions above. However, the Gift Aid rules are complex and you should consult HMRC or your diocese before submitting a claim if you are in doubt about its eligibility.

Disclaimer: The Parish Resources Gift Aid Guides in the series are intended as guidance only. You should consult HMRC or other professional adviser if you are in doubt as to the Gift Aid regulations. This Fact Sheet was produced in August 2015 and is available to download from the Parish Resources website at <http://www.pariahresources.org.uk/giftaid.htm>