

Felicity Buchan MP
Exchequer Secretary to the Treasury
HM Treasury
1 Horse Guards Road
London, SW1A 2HQ

3 October 2022

Dear Minister

Budget Representation: Future of Gift Aid

The Government is committed to building a trusted, modern tax administration system that recognises that “the laws governing tax administration need to change to allow HMRC to deliver world leading services and support taxpayers better as they interact with HMRC digitally”.

In advance of the next Budget, we call on the Government to help that aspiration become a reality by investing in the Future of Gift Aid project to help ensure the relief is fit for the digital age.

Gift Aid is worth £1.34bn a year to charities. Donors are incentivised to give to causes for the public good. The scheme supports the principle that taxpayers should not be taxed on money that they do not benefit from personally.

The Gift Aid system is now over twenty years old and was designed at a time when modern means of payment were not available or even imaginable. The Future of Gift Aid project advocates a modern Gift Aid system. This would help reduce the £180m of Gift Aid claimed in error and help to unlock more than £560m of Gift Aid that goes unclaimed each year. From the outset this has been a collaborative project involving a wide range of stakeholders including HMRC. There are benefits for all.

The value of the Future of Gift Aid project has been recognised by The Office of Tax Simplification in maximising the use of third-party data and credits. The progress made is promising. But if Gift Aid is to be truly fit for the digital future there will also need to be legislative changes. Embracing innovation and the benefits of technology can be a game-changer in terms of Gift Aid practice. It is unrealistic to think that existing legislation can cope with the new opportunities.

In line with the time frame for the Government’s plans for the transformation of the tax system there needs to be a roadmap which recognises the lead time required to (a) update both HMRC and charity/intermediary systems and (b) to utilise the opportunities provided by new technology and payment methods.

Our proposals have already been presented to HMRC and details of the project can be found in the appendix. We would be happy to provide any additional information you require.

We are excited by what could be achieved and would welcome your active involvement in the project.

Yours sincerely,



Richard Bray
Chair, Charity Tax Group



Vikki Watts
Director, BDO



David Michael
CEO, SwiftAid (Streeva)



Dave Chunilal
Technical Director, Nisyst



Oliver Shaw-Latimer
Senior Director, JustGiving



David Warrellow
Head of Tax, National Trust

The voice of charities on Tax

Charity Tax Group
Church House
Great Smith Street
London SW1P 3AZ

T +44 (0)20 7222 1265
E info@charitytaxgroup.org.uk
Follow us @charitytaxgroup
www.charitytaxgroup.org.uk

Charity Tax Group Limited
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APPENDIX

Legislative proposals

Franking Gift Aid claims

An example of where legislative change would be hugely beneficial is with regard to a Gift Aid donation being related back from one tax year to the previous one. The arrangements for this are quite cumbersome as an election needs to be made. This is much easier where a donor submits a tax return (which happens much less frequently than when the relevant legislation was first enacted) but is almost unheard of where a tax return is not prepared. The intention of Gift Aid being franked by previous year's tax is clear.

In the project, we are looking at the feasibility of checking that someone is a taxpayer in real time before Gift Aid is paid by HMRC. Our work has shown how difficult this can be. For example, early in the tax year many donors will not have received any employment or self-employed income. Being able to frank a donation automatically with tax paid in a prior year would make the process much better reducing risk for both HMRC and the taxpayer in a streamlined, digital way.

Workstreams

The collaborative project is broken down into 6 workstreams with involvement of key stakeholders from the charity and finance industries, academia and government.

- 1. HMRC:** Has demonstrated that an API integration with HMRC to determine the tax status of an individual to endorse Gift Aid declarations they create is feasible.
- 2. SMS:** To demonstrate an automated solution for text donations that meets HMRC requirements, with the aim to support both retrospective and ongoing Gift Aid claims.
- 3. Retail:** To identify methods of attributing Gift Aid within retail giving.
- 4. Policy/Commercial:** To capture and address any compliance/commercial issues, focused on keeping a clean separation between technical feasibility.
- 5. User:** Focusing on the user experience to understand why Gift Aid is missed and what can be done to ensure Gift Aid is applied where possible.
- 6. Banking:** Focusing on identifying the best use cases in which someone's bank account can be used to automate/simplify the Gift Aid process.

Project partners

AIMM, Blackbaud (JustGiving), Cancer Research UK, Charity Retail Association, Charity Tax Group, Data Developments, Fonix, GoodBox, Liberty Pay, National Trust, Nisyst, Oxfam, Pennies, Streeva (Swiftaid), Sue Ryder, The Children's Society, University of Exeter, University of Portsmouth, University of Surrey