**HMRC Guidance on Gift Aid Donor Benefits**

**Chapter 3.18 Benefits received by donors and connected persons**

3.18.1 When someone makes a donation to your charity or CASC, you may want to give them (or people connected to them) a token of your appreciation - a ‘benefit’. As long as the value of the benefit doesn’t exceed certain limits the donation will still qualify for Gift Aid. If the benefit value exceeds these limits the donation won’t qualify for Gift Aid.

In order to decide whether a donation to your charity can qualify under the Gift Aid Scheme, you’ll need to determine:

* whether the donor, or a person connected with the donor, receives any benefits, other than of the type detailed in paragraph 3.27 below, which can be ignored
* if any benefits received are associated with the donation, and if so whether their value exceeds the limits in the donor benefit rules

3.18.2 A benefit is any item or service: provided by the charity or a third party to the donor or a person connected with the donor and which is associated with a donation.

3.18.3 A person is connected with the donor if that person is:

* the wife or husband or civil partner
* a relative (eg brother, sister), ancestor (eg mother) or lineal descendant (eg grandson)
* the wife or husband or civil partner of a relative
* a company under the control of the donor, or under control of connected persons

3.18.4 A benefit is ‘associated with a donation’ if it’s received by the donor or a connected person in consequence of making the donation. In other words, there has to be some connection between the fact that the donor has made a donation and the benefit being received.

3.18.5 If goods or services are provided for the donor by an unconnected third party entirely unsolicited by either the charity or the donor, such goods or services won’t be ‘associated with the donation’ for the purposes of these rules.

**Chapter 3.19 Things that are not a benefit**

Some items don’t count as benefits, for example:

**Acknowledgements**

3.19.1 An acknowledgement of a donor’s generosity, for example in a printed brochure or on a plaque - however this must be a simple acknowledgement and not an advertisement for the donor’s business. So a small commemorative type plaque recording the name of the donor and that they provided a donation would be acceptable but a large sign which also promoted the donor’s business would be an advert and so not allowed.)

**A right of admission to view charity property**

3.19.2 A right of admission to view charity property isn’t treated as a benefit if:

* it’s in return for a donation of at least 10% more than the admission charge for an equivalent right of admission
* if the admission is for a period of at least a year at the same times as the general public can gain admission

3.19.3 This doesn’t apply if the:

* benefit extends beyond a right of admission to view charity property (for example a right of admission to a property to attend a concert), read detailed guidance about donations that attract a right of free entry to view charity property
* benefit extends beyond the donor and members of his or her family

3.19.4 In practice, charities:

* will often want to lay down rules for the maximum number of people that a donor may bring into the charity’s premises
* can’t be expected to check the identity and family relationship of people who seek admission to their premises

3.19.5 Therefore rules that are intended to restrict the right of admission to family groups, such as a right of admission for the donor and up to 2 other adults and 6 children, satisfy the ‘members of the family’ test.

**Fund raising events in honour of a donor**

3.19.6 Charities that receive a large donation from a donor will often want to give some form of ‘thank you’ to the donor, for example they may hold a gala dinner to which they’ll invite the donor as ‘guest of honour’, their family, friends, and other potential donors. If the purpose of the dinner is to both celebrate the donation and promote the charity to stimulate more donations from the others attending the event this is a fund raising event and wouldn’t be treated as a benefit to the donor: the dinner is simply an opportunity to help raise more funds. However, if the dinner is a private affair limited to the donor and a few guests and there’s no significant element of additional fundraising involved then that’s simply a private dinner for the donor and that’s a benefit. Trustees of charities considering holding fund-raising events of this kind can find further guidance in paragraph 3.52.

**Naming rights**

3.19.7 Sometimes charities want to name a building or part of a building after a donor who’s provided a substantial part of the funds to pay for the building. There’s no monetary value attached to the naming of a building after an individual and therefore there’s no benefit for Gift Aid purposes.

**Chapter 3.20 The limits on the value of benefits**

3.20.1 There are 2 limits that apply to the value of the benefits that a donor, or a person connected with the donor, may receive in return for making a donation. These are worked out using the ‘relevant value’ test and the ‘aggregate value’ test:

Relevant value test - sets the maximum value of a benefit for a particular amount of donation as set out in the table in paragraph 3.21.1.

Aggregate value test - As well as passing the relevant value test above, the benefits must also pass the aggregate value test. This says that the value of benefits received by the same donor in one tax year as a result of making more than one donation to the same charity in that tax year mustn’t exceed:

* £500 for donations made between 6 April 2007 and 5 April 2011
* £2,500 for donations made on or after 6 April 2011

3.20.2 If the value of the benefits received exceeds either of these limits, the donation won’t qualify for Gift Aid.

**Chapter 3.21 The relevant value test**

3.21.1 The limits for the relevant value test are:

Benefit limits for donations.

| **Amount of donation** | **Maximum value of benefits** |
| --- | --- |
| £0 - £100 | 25% of the donation |
| £101 - £1,000 | £25 |
| £1,001+ | 5% of the donation (up to a maximum of £2,500) |

These limits apply separately to each donation.

3.21.2 Special rules apply to ‘annualise’ the amount of certain donations and the value of certain benefits for the purposes of applying the limits. Broadly, in the case of subscriptions under a membership scheme, the limits normally apply by reference to the amount of the annual membership subscription and the value of the annual membership benefits. This way:

* a charity can tell whether the benefits in its membership scheme will exceed the limit simply by looking at the annual membership subscription and the annual membership benefits
* the result will be the same whether the donor pays the subscription in a single payment, or half-yearly, quarterly, or monthly

3.21.3 Annualising applies where a benefit:

* consists of the right to receive benefits at intervals over a period of less than 12 months relates to a period of less than 12 months
* is one of a series of benefits received periodically in consequence of making a series of donations at intervals of less than 12 months
* is a one-off benefit received in consequence of making a donation that is one of a series of donations made at intervals of less than 12 months

3.21.4 In the first 2 categories, the amount of the donation and the value of the benefit are annualised, so that the limits in the table at paragraph 3.29.1 apply by reference to the annual amount and the annual value respectively. In the final category, the amount of the donation, but not the value of the benefit, is annualised, so that the limits in the table above apply by reference to the annual amount of the donation and the actual value of the benefit.

3.21.5 Annualising is done by:

* multiplying the amount of the donation or the value of the benefit by 365
* dividing the result by:
  + the number of days in the period of less than 12 months
  + the average number of days in the intervals of less than 12 months

In practice, where the period or the intervals are measured in calendar months, annualising can be done by reference to calendar months, rather than days.

3.21.6 The following examples illustrate how the relevant value test works.

**Example 1**

Ms Smith makes 4 unconnected donations to a wildlife charity as follows:

| **Date** | **Amount** | **Benefits** |
| --- | --- | --- |
| 6 May 2016 | £30 | nil |
| 21 June 2016 | £10 | nil |
| 18 August 2016 | £25 | nil |
| 5 February 2017 | £80 | fashion book worth £30 |

As no benefits are received in consequence of making any of the first 3 donations, they all pass the relevant value test.

The book received in consequence of making the fourth donation doesn’t fall into any of the categories above, so annualising doesn’t apply. As the £30 value of the book exceeds the benefit limit of £20 (25% of the £80 donation) the fourth donation fails the relevant value test and doesn’t qualify as a Gift Aid donation.

**Example 2**

Mr Patel makes a single payment of £240 to a medical charity, in consequence of which he receives the right to receive 12 free monthly computer magazines worth £2.50 each. The benefit of the right to receive the magazines is therefore worth £30 (£2.50 x 12).

The right to receive the magazines doesn’t fall into any of the categories above, so annualising doesn’t apply. As the value of the right to receive the magazines (£30) exceeds the limit of £25 (that is the limit for donations of £100 to £1,000) the donation fails the relevant value test and so can’t qualify as a Gift Aid donation.

**Example 3**

Mrs O’Connor makes a single payment of £120 to the same medical charity, in consequence of which she receives the right to receive 6 free monthly computer magazines worth £2.50 each. The benefit of the right to receive the magazines is therefore worth £15 (£2.50 x 6).

The right to receive the magazines falls into the first category at paragraph 3.29.3 (a right to receive benefits at intervals over a period of less than 12 months) so annualising applies. The limits in the table at paragraph 3.29.1 therefore apply by reference to the annual amount of the donation £240 (£120 x 12 ÷ 6) and the annual value of the right to receive the magazines £30 (£15 x 12 ÷ 6). As the annual value of the right to receive the magazines exceeds the limit of £25 (that is the limit for donations of £100 to £1,000) the donation fails the relevant value test and so can’t qualify as a Gift Aid donation.

**Example 4**

Mr Green makes a single payment of £120 to a performing arts charity, in consequence of which he receives the right to a 5% discount on theatre tickets purchased in the next 6 months. The benefit of the right to the discount is worth, say, £15.

The right to the discount falls into the second category above (a benefit relating to a period of less than 12 months) so annualising applies. The limits in the table at paragraph 3.29.1 therefore apply by reference to the annual amount of the donation £240 (£120 x 12 ÷ 6) and the annual value of the right to the discount £30 (£15 x 12 ÷ 6). As the annual value of the right to the discount exceeds the limit of £25 (that is the limit for donations of £100 to £1,000) the donation fails the relevant value test and so can’t qualify as a Gift Aid donation.

**Example 5**

Miss Tomkins makes monthly payments of £20 to a medical charity under an open-ended standing order, in consequence of which she receives a free monthly computer magazine worth £2.50.

The right to receive the magazines falls into the third category above (a benefit which is 1 of a series of benefits received in consequence of making a series of donations at intervals of less than 12 months) so annualising applies. The limits in the table above therefore apply by reference to the annual amount of the donation £240 (£20 x 12) and the annual value of the right to receive the magazines £30 (£2.50 x 12). As the annual value of the right to receive the magazines exceeds the limit of £25 (that is the limit for donations of £100 to £1,000) the donation fails the relevant value test and so can’t qualify as a Gift Aid donation.

**Example 6**

Mr Wong makes monthly payments of £2 to a charity under an open-ended standing order. In consequence of starting the payments he receives a one-off benefit of a free pen worth £5.

The pen falls into the third category in the paragraph above (a one-off benefit received in consequence of making a donation which is one of a series of donations made at intervals of less than 12 months) so annualising applies to the donation, but not the benefit. The limits in the table at paragraph 3.29.1 therefore apply by reference to the annual amount of the donation £24 (£2 x 12) and the actual value of the pen £5. As the value of the pen doesn’t exceed the limit of £6 (that is 25% of the £24 annual donation) the donation passes the relevant value test and so can qualify as a Gift Aid donation.

**Chapter 3.22 The aggregate value test**

3.22.1 In addition to satisfying the relevant value test, the value of the benefits received in consequence of a donation must also satisfy the aggregate value test if the donation is to qualify as a Gift Aid donation. In other words:

* the value of the benefits received in consequence of making the donation
* plus the value of any benefits received in consequence of any Gift Aid donations by the same donor to the same charity earlier in the same tax year
* must not exceed £500 - for donations made between 6 April 2007 and 5 April 2011 or £2,500 for donations made on or after 6 April 2011

The value of benefits isn’t annualised for the purposes of the aggregate value test. It’s the actual value, as opposed to an annual value, of the benefits that counts.

3.22.2 For example, suppose in example 1 above Ms Smith makes 2 further donations to the charity in the tax year 2012 to 2013 as follows:

| **Date** | **Amount** | **Benefits** |
| --- | --- | --- |
| 6 May 2012 | £30 | nil |
| 21 June 2012 | £10 | nil |
| 18 August 2012 | £25 | nil |
| 5 February 2013 | £80 | fashion book worth £30 |
| 11 March 2013 | £9,600 | weekend break worth £450 |
| 4 April 2013 | £50,000 | package of benefits valued at £2,500 |

As the value of the weekend break doesn’t exceed the limit of £480 (for example 5% of the £9,600 donation) the fifth donation passes the relevant value test. Furthermore, it passes the aggregate value test (it’s not aggregated with the benefit worth £30 received in consequence of the fourth donation, because that donation didn’t qualify as a Gift Aid donation).

As the value of the package of benefits doesn’t exceed the limit of £2,500 (for example 5% of the £50,000 donation) the sixth donation passes the relevant value test. However, it fails the aggregate value test, because the value of the package of benefits plus the value of the weekend break exceeds £2,500. (£450 + £2,500 = £2,950). Therefore, the sixth donation can’t qualify as a Gift Aid donation. The other 5 donations are unaffected.

**Chapter 3.23 Valuing donor benefits**

3.23.1 The valuation of donor benefits can be difficult. However:

* where an item or service is sold to the public, the benefit will be the sale price to the public - for example, for a ticket to attend a performance by an opera society that costs £20, the benefit will be £20
* in other cases the charity will need to determine how much someone providing the benefit at arm’s length would charge for it - evidence might be obtained from similar commercial transactions

3.23.2 The value of a benefit is always the value to the recipient, not the cost to your charity or CASC of providing the benefit. Even though your charity or CASC may get a discount on the cost of any benefits you give to donors, the benefit must be given its full value when working out whether a donation qualifies for Gift Aid.

**Example**

As an incentive, new members receive a teddy bear (on sale at £5 but cost £2 to the shop owner) in return for paying their membership subscription. The teddy bear is supplied direct to new members free of charge to the charity by a local shop owned by one of the charity’s trustees on presenting a voucher given to new members by the charity.

The benefit is £5 (cost to the public if they purchased a bear).

**Valuing goods and services**

3.23.3 For many benefits the value is simply the retail value of the item or service. For example if a donor receives a free theatre ticket, the value of the benefit is the face value of the ticket.

3.23.4 Where a retail value can’t be found, your charity or CASC must work out how much someone would be prepared to pay for the item or services - looking at similar commercial transactions will help.

**Valuing attendance at a non-ticketed event**

3.23.5 Where a benefit takes the form of attendance at an event that isn’t open to the public (so that there’s no ticket price) and which isn’t a fund raising event of the kind described above the benefit should be valued by reference to the cost to the charity of staging the event and the number of people in attendance.

**Valuing benefits in return for life membership subscriptions**

3.23.6 Where the benefit is a discount on goods or services - which an individual member may or may not take advantage of - the valuation can be based on the average take-up of the benefit by all your charity’s members. In order to establish the average benefit the charity must keep complete records of all the discounts received by its members.

Where a benefit is given in return for a life membership subscription the value of all benefits that’ll be received over the lifetime of the membership must be estimated when valuing the benefit. For practical purposes the benefits received over the first 10 years of membership will be taken as the benefits received over the life of the member when deciding whether the benefit limits have been breached. In general, the benefits for a 12 month period are determined and multiplied by 10.

**Valuing benefits which are discounts**

3.23.7 Examples

**Example 1**

A charity has 500 members and offers a 10% discount on sales in its shop. The charity keeps complete records of discounts given to its members and the total discounts are £5,295 in the year.

The average benefit per member is £10.59 (£5,295 ÷ 500). This benefit must apply to all members whether they’ve received a discount or not. The alternative is to keep records to quantify the actual discount benefit received by each individual member.

**Example 2**

A charity has 300 members and offers a 10% discount on sales in its shop. The charity fails to keep records of members’ discounts.

The benefit is open ended and so the membership subscriptions fail as Gift Aid donations as the charity can’t demonstrate that the maximum benefit available isn’t exceeded.

There’s more information on how the Gift Aid rules apply to [charity events](https://www.gov.uk/gift-aid-what-donations-charities-and-cascs-can-claim-on#charity-events) and [membership subscriptions](https://www.gov.uk/gift-aid-what-donations-charities-and-cascs-can-claim-on#professional-organisation-membership-fees).

**Chapter 3.24 Provision of literature**

3.24.1 Where a charity sends literature to its donors, the value of the literature is nil provided the:

* material is produced solely for the purpose of describing the work of the charity whether produced by the charity, or a third party
* material is relevant to and distributed exclusively in furtherance of the objects of the charity

The fact that the literature has a cover price and is also on sale to members of the public isn’t relevant. This means that literature like newsletters, bulletins, annual reports, journals, magazines, members’ handbooks and programmes of events will generally carry no value for the purposes of the donor benefit rules.

**Example**

A conservation charity provides its members with a free copy of the BBC’s nature magazine. The magazine costs £4.50 but is supplied to the charity at a cost of £3 per copy.

The value of the benefit is £4.50. The magazine may be connected to the purposes of the charity but it’s neither about the specific work of the charity or produced by the charity.

**Chapter 3.25 Split payments**

3.25.1 When a benefit given to a donor would exceed the benefit limits - so Gift Aid couldn’t be claimed - it may be possible for the donor’s payment to be split between an amount to cover the cost of the benefit and an amount that is treated as a gift. To do this the cost of the benefit is taken away from the total amount given to the charity and the remainder treated as the donation. Gift Aid can only be applied to the remainder if:

* the benefit can be purchased separately
* the donor is aware of the value of the benefit at the time the donation is made

3.25.2 The charity and donor should keep evidence of how the payment was to be split for example a copy of a dated letter accompanying the payment. Alternatively, separate payments could be made.

**Example 1**

An arts charity has a patron scheme where, for a donation of £1,000, an individual can become a patron. In return the charity provides the benefit of 10 free tickets (value £20 per ticket at the box office) for forthcoming events. In this case then the benefit received by the donor for the free tickets is £200.

The maximum benefit the donor can receive for a donation of £1,000 is £25. As the benefit received by the donor for the free tickets is £200 the Gift Aid benefit limit is exceeded and the whole of the donation does not qualify for Gift Aid.

However, the donor’s aware that the cost of the benefit of the 10 free tickets is £200 and so elects to split the donation and treat £200 as payment for the tickets and the balance of £800 as a Gift Aid donation.

**Example 2**

The situation is as in Example 1:

* 10 free tickets - total value £200 (£20 per ticket)

And the charity also offers the following benefits:

* dinner with the director - estimated value £30 but attending the dinner isn’t open to the general public
* an unlimited amount of tickets at a discount of 10% (no records kept by the charity)

The benefit is clearly in excess of the benefit limit of £25 as it amounts in excess of £230 - £200 for the tickets and an estimated £30 for the dinner. However, the benefit can’t be bought for the following reasons:

* all the benefits can’t be quantified at the outset - the benefit from the discounts isn’t known - nor is the actual value of the dinner
* the dinner isn’t available to the public and so can’t be purchased separately

**Items bought at a charity auction**

For auction items, the option to split the payment only applies where the:

* item’s commercially available
* donor is aware, at the time they make a successful bid that the item could be purchased separately and for what price

Your charity or CASC and the donor should keep evidence of this arrangement - for example an exchange of letters.

Find out more information on the Gift Aid rules for [charity auctions](https://www.gov.uk/gift-aid-what-donations-charities-and-cascs-can-claim-on#charity-auctions) and the rules on [record keeping and audit requirements](https://www.gov.uk/claim-gift-aid/how-to-claim).