

How the death of my mother bought home to me that we need to reform gift aid for small charities.

Nestled in a valley on the edge of the Cotswolds is a playground for disabled children. For the families who use its three acres, it is a place of refuge and escape. It is a place where disabled children and their families can enjoy the countryside and a playground without the looks of disapproving parents or the taunts of thoughtless children.

The playground was the brainchild of my mother. In the 1980s as her arthritic fingers found sheep-farming too hard she wanted to do something else with the small farm she had inherited from her mother. So she decided to turn one corner into a playground for disabled children. Each year since then families from as far away as Swindon, Bristol and Birmingham have come to value the freedom and enjoyment it gives them.

So when my mother died last year it was a perfect tribute to her energy and vision that we asked people to make a donation towards the playground. And people did donate: we collected £6000 in total.

Now as a lifelong fundraiser, a former chair of the Institute of Fundraising and a devotee of tax-effective giving I wanted to make sure we maximised the gift aid on all those donations. And this is where the current system of gift aid reared its administrative head.

Each donor, each person who had given in my mother's memory, had to sign a gift aid declaration for us to reclaim their gift aid. So the £1000 in cash at the funeral was our first challenge. My sisters and I thought it inappropriate to ask people at the funeral to sign a gift aid form. Even though my mother would happily have door-stepped mourners from beyond the grave she couldn't. So the £1000 in cash remained beyond the reaches of tax-effective giving.

It was easier to get gift aid declarations for the donations to the playground that poured in afterwards. But it did mean we needed one letter for those who just sent their condolences and memories and another letter for those who made a donation (and a third letter for overseas and CAF donors). The donors needed a gift aid form and a reply envelope. The sisters still thought this was a little bit inappropriate – but as I was making it happen they coped.

For the most part people were happy to send their gift aid forms back. One or two came back unsigned or undated or just incomplete. What to do about those?

And what to do about those who didn't reply at all? What about those who lived abroad but wrote cheques on UK bank accounts.

But getting the declaration signed is only half the battle.

Now I have to complete the gift aid reclaim form. I have to know who the authorised signatory is, I have to fill out a form detailing the amount of money from each donor. I have to say which financial year they gave in and multiply the total donations by 20 and divide by 80 (rather than multiply by 22 and divide by 78). What about the transitional relief? The small print says they will add that automatically.

At the end of the process it looks like we will be able to claim around £850 in gift aid. We have written off the cash in church and the non-responders to the request for a declaration. For a small charity like my mother's that amount of money is a huge bonus: the cost of keeping the grass mown for a season or repairs in the winter months.

But my question is this. How many charities in our situation would have claimed the gift aid? And particularly how many small local charities would have claimed the gift aid? By my estimation there were at least 8 things the Bournstream Trust had to do to claim the gift aid.

1. We had to register with the Inland Revenue to receive gift aid (which luckily we had done some years previously).
2. We had to create a gift aid declaration form specifically for the Bournstream Trust.
3. We had to write different letters for different types of donor.
4. We had to include the form and the reply envelope and send the right letters to the right people.
5. We had to overcome our natural British reticence to ask people for the declaration once they had made a donation.
6. We had to check our list of donors and declarations to see whose donations we couldn't claim gift aid for.
7. We had to find new gift aid reclaim forms on the internet as the forms we had were out of date.
8. We had to complete the details on the reclaim form for each individual donor.

And none of these steps relate specifically to the fact that we were collecting after a bereavement.

So if we want small charities to claim gift aid we have to make the system simpler. The opt-out proposal has many merits but only if HMRC promise not to be zealous with those who inadvertently have gift-aid claimed as they failed to opt-out. Indeed my mother paid the tax bill that one of her friends was sent when she signed a gift aid declaration but didn't pay enough tax. And that was under the opt-in system. How many little old ladies (and men) would be caught in an opt-out system – particularly in a low interest rate world – no longer paying enough tax on their savings to match the gift aid for their donations.

My preference is for an agreed tariff. In other words it is agreed that 80% of all donations are gift-aidable and provided a charity can show it has received that much money from individuals then it claims gift aid on 80% of the total. No declarations, no contacting individuals, just a straight agreement that an agreed percentage of all donations could be gift aided. The amount of money that charities (and the HMRC for that matter) spend on gift aid bureaucracy is huge – and we could sweep it all away. The barriers that the current gift aid system puts up for small charities should not be under-estimated.

But whatever changes are made we need to make sure that small charities can claim gift aid more easily – and that for me is the real litmus test of success for changes to the gift aid system.

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