



CHARITY RETAIL ASSOCIATION

Retail Gift Aid Training

VERSION TWO - ISSUED FEBRUARY 2018



INTRODUCTION

HOW TO USE THIS DOCUMENT

To be read by: those with responsibility managing the Retail Gift Aid scheme and those responsible for Retail Gift Aid training.

DISCLAIMER

This training guidance has been prepared by Charity Retail Association and BDO LLP to assist in the training of shop staff and volunteers and administration staff regarding the operation of the Retail Gift Aid scheme.

This training guidance explains the importance of Gift Aid and the things that you need to do when making sales under the Retail Gift Aid scheme, and has been prepared following the changes to HMRC's guidance regarding the operation of the scheme in November 2015. This guidance is based upon the HMRC requirements as at November 2015.

This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Please contact BDO LLP to discuss these matters in the context of your particular circumstances. BDO LLP, its partners, employees and agents do not accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

HOW TO USE THIS GUIDANCE

It is important that every individual involved in the Retail Gift Aid process at your charity understands the way the scheme works and their role within that process.

Proper training should enable your charity to claim as much Gift Aid as possible on the donations received through shops, but also should reduce the risk of things going wrong, which can have serious consequences for the charity.

This training guidance is presented as a series of modules. Not all modules will be relevant for every charity or every person involved in the Retail Gift Aid process, and you may wish to adapt this training guidance to tailor it to the processes within your charity.

As you will see from module 6, HMRC will ask for evidence that individuals have received and understood appropriate training as part of a Gift Aid audit, and you must keep records of the training provided so that you can demonstrate this.

One way to achieve this would be for each new member of staff or volunteer who deals with Retail Gift Aid to go through Retail Gift Aid training as part of their induction and then for updates to be provided throughout the year to remind them that Gift Aid is important and of the consequences of not applying the Retail Gift Aid scheme correctly.

Training on Retail Gift Aid can be provided in a number of ways and it is likely that there will be a number of different methods used as part of your charity's overall training process. For example, new staff may work through the relevant modules of this guidance before undertaking some practical training with their supervisor.

Where training is provided on Retail Gift Aid, it is important that you can demonstrate to HMRC how and why you are comfortable that the individual has understood the key messages. Each module in this training guidance contains a short quiz. We recommend that these are completed by participants and the results recorded and signed off by their supervisor. If an individual does not score well in one of the quizzes, this may indicate that they have not understood the content of that module and further training on Retail Gift Aid may be required.

WHO IS THIS TRAINING FOR?

This training guidance is presented as a series of modules. Not all modules will be relevant for every charity or every person involved in the Retail Gift Aid process and you may wish to adapt this guidance to tailor it to the processes used by your charity.

We have made suggestions for who may be interested in each module below where we have divided participants into three categories:

- A. Shop managers
- B. Shop staff and volunteers
- C. Administrative, IT and audit staff.

Of course, every charity is different and you may wish to provide your Retail Gift Aid training in a different way. Similarly we recommend that the individual with responsibility for Gift Aid training in your charity considers this in the context of your organisation.

A	B	C	
•	•	•	Module 1: What is Retail Gift Aid?
•	•		Module 2: Conversations with the donor
•	•	•	Module 3: Completing the Gift Aid declaration
•	•		Module 4: Making sales and processing stock
•		•	Module 5: Writing to donors
•		•	Module 6: Monitoring, reporting and auditing the scheme



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MODULE 1

What is Retail Gift Aid?

RECOMMENDED AUDIENCE

Shop staff and volunteers

Shop managers

Administrative staff

OVERVIEW OF THE RETAIL GIFT AID SCHEME

NOTE FOR USE OF THIS CHAPTER

There are three different ways in which a charity shop can operate the Retail Gift Aid scheme:

- Standard method
- Method A
- Method B.

Whilst most of the operation of the three methods is the same, in this module; we have highlighted the instances where the methods are different. You should make sure you know which method your charity operates for Retail Gift Aid and read the guidance related to that method.

SUMMARY

- Gift Aid is a way for charities to increase the value of the donations that they receive
- One way of doing this is through operating the Retail Gift Aid scheme on goods donated to shops
- Everyone who is involved with the Gift Aid process has the responsibility to make sure it is operated correctly.

WHAT IS GIFT AID AND WHY IS IT IMPORTANT?

When a donor makes a Gift Aid donation, the charity can reclaim some of the tax the donor has paid.

The amount that can be claimed by the charity is 25% of the amount of each donation.

If the donor is a higher rate tax payer, they can also claim tax relief in respect of the donation through their personal income tax return.

Gift Aid is an important source of income for charities as it enhances the value of donations received and means that the charity has more funds to spend on its charitable activities.

However, because the charity is reclaiming tax from HMRC, there are a number of conditions which need to be met in order for the Gift Aid claim to be valid. Every individual who is involved with the operation of a charity shop that uses Retail Gift Aid must therefore be familiar with the scheme.

WHY IS IT IMPORTANT TO GET IT RIGHT?

Gift Aid is a valuable source of income for charities because it enables them to claim tax back from HMRC. However, because of this, HMRC expect the charity to take the operation of Gift Aid, including running the Retail Gift Aid scheme, seriously and have processes in place to make sure that the required conditions are met.

If HMRC finds out that your charity has not been running the Retail Gift Aid scheme properly then it will make the charity pay back Gift Aid which has been claimed incorrectly. HMRC will charge interest on the repayment and may also charge penalties. The penalty could be up to 100% of the amount of tax which has to be repaid. More guidance on penalties and how these may be applied is available on the HMRC website.

There are lots of reasons why charities can get Retail Gift Aid wrong. Sometimes this can be due to fraud, intentionally applying Gift Aid to donated goods where the donor has not expressed their agreement, but it is more often due to errors such as incorrectly completed Gift Aid declarations, forms which have been misplaced, or donors having insufficient tax to cover the claim.

Everyone involved in the charity's Gift Aid, including Retail Gift Aid, process has a responsibility to make sure that they understand their role and to carry this out correctly to help the charity to make the most of the scheme whilst making sure that things do not go wrong.

HOW THE RETAIL GIFT AID SCHEME WORKS - AN OVERVIEW

SUMMARY

- The charity can only claim Gift Aid on donations of money from individuals, so donations of goods must first be sold by the charity, acting as agent for the donor. The sale proceeds can then be treated as a cash donation on which Gift Aid can be claimed
- The charity cannot claim on donations from businesses
- The donor must be a UK tax payer
- The donor must have paid the same amount or more in income or capital gains tax in the relevant tax year as is claimed by the charity (other taxes such as VAT and Council Tax are not eligible for Gift Aid claims)
- The donor must have 'good title' to the goods being sold - they must own them and not be selling them on behalf of someone else.

Gift Aid can ONLY be claimed on donations of money.

Usually, when a donor brings items to the shop for sale, they make a donation of those goods to the charity. The charity then sells the items and any sale proceeds belong to the charity. No Gift Aid is claimed because there is no donation of money.

The Retail Gift Aid scheme is a way of turning donations of goods into donations of money on which Gift Aid can be claimed.

This means that the value of shop sales made under the Retail Gift Aid scheme can be enhanced by an extra 25p for each £1 that the goods are sold for.

WHO CAN BE A GIFT AIDER?

UK taxpayers

The Gift Aid claim means that the charity will reclaim tax that the donor has already paid on the amount of the donation that they are making.

The donor must be comfortable that they will pay enough UK income and /or capital gains tax in the tax year to cover the amount that will be reclaimed by all charities that they make donations to.

It is very important that donors understand this requirement and section x sets out how you can explain this to donors in more detail.

It is best not to make assumptions on whether someone is or is not likely to be a UK taxpayer so you should always discuss Gift Aid with potential donors. However, you should bear in mind that many people will not pay UK income or capital gains tax.

Owner of the goods

The goods being sold under the Retail Gift Aid scheme must belong to the person who has made the Gift Aid declaration. Some circumstances where this may not be the case are where an individual brings goods in that they have collected from friends or neighbours or where the goods come from a deceased person's estate and where this is the case, no Gift Aid claim is possible.

To make Retail Gift Aid work, the donor owns the items until they are sold. There are therefore a series of steps which you will need to go through in order to operate the Retail Gift Aid scheme correctly. These are shown in the flow chart overleaf.



TYPICAL STEPS FOR RETAIL GIFT AID

MORE
INFORMATION
SECTION

STEP 1

- The donor brings their goods to the shop
- The shop staff member discusses the Retail Gift Aid scheme with them and explains how it operates.

STEP 2

- If the donor confirms that they would like to make the donation of stock under the Retail Gift Aid scheme, they will leave the goods with the shop to be sold on their behalf, but the donor will remain the owner of the goods
 - Donors that are new to the Retail Gift Aid scheme must agree to an 'agency agreement' which makes it clear to both sides that the donor retains ownership of the goods. It will also explain that the charity will charge the donor a commission for making the sale and explain the process for writing to the donor once the goods have been sold, and complete a Gift Aid declaration which explains that the donor would like the charity to claim gift aid on future donations that the individual makes to the charity
- These Gift Aid declaration and agency agreement may be combined on a single form.

STEP 3

- The shop sells the goods on behalf of the donor and charges the donor a commission for doing so.

STEP 4

IF YOUR CHARITY USES THE STANDARD METHOD FOR RETAIL GIFT AID:

- Once enough goods have been sold, the charity writes to the donor to let them know that the goods have been sold and ask if they would like to receive the proceeds back (less the commission charge) or if they would like to donate the sale proceeds to the charity
- If the donor does not tell the charity within 21 days that they want to receive the sale proceeds then the sale proceeds are treated as a donation to the charity and Gift Aid can then be claimed.

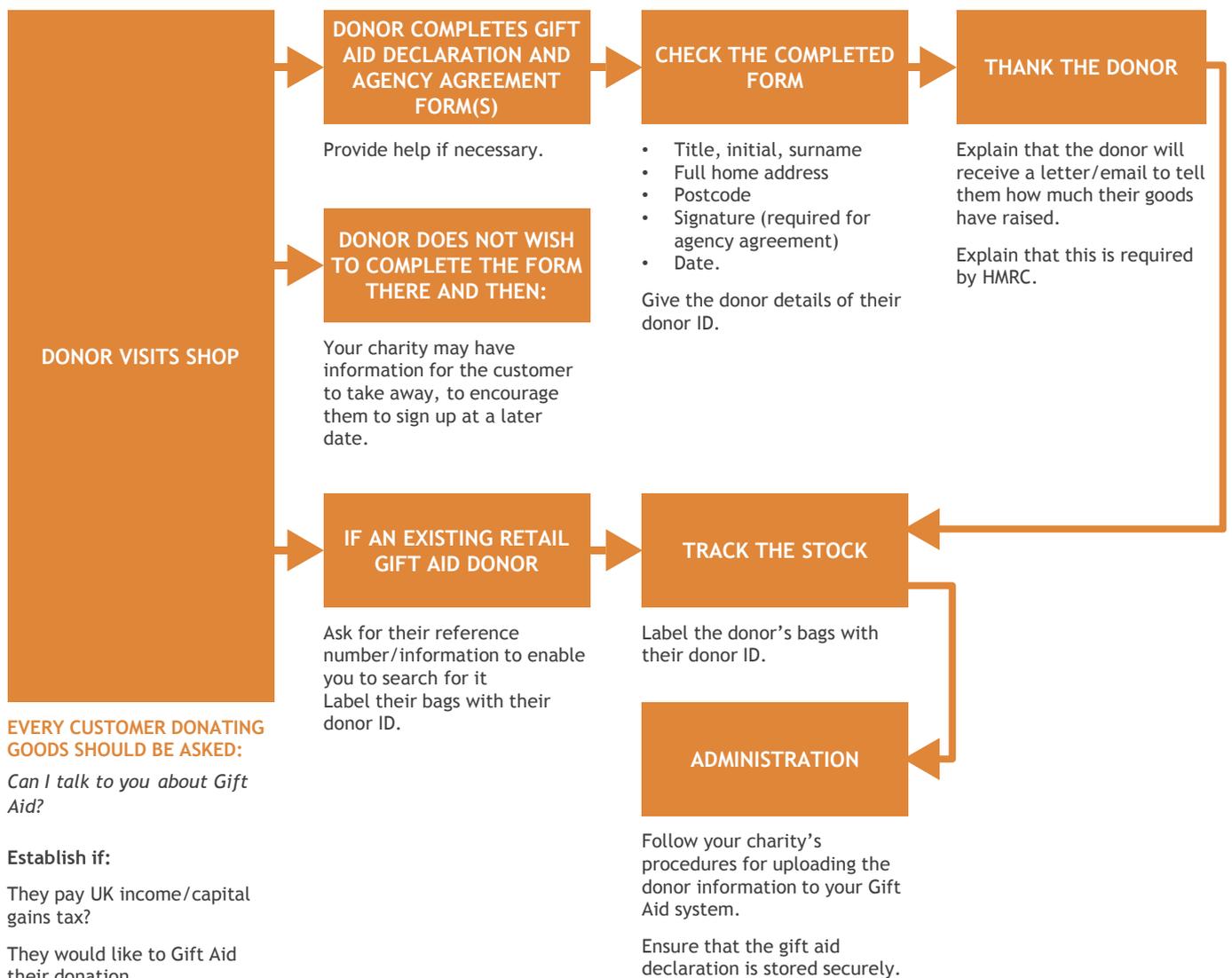
IF YOUR CHARITY USES METHOD A OR METHOD B FOR RETAIL GIFT AID:

- The charity may claim Gift Aid on the first £100 of sale proceeds (method A) or up to £1,000 of sale proceeds (method B) without the need to write to the donor
 - If goods are sold in excess of the limits stated above, the charity writes to the donor to let them know that the goods have been sold and ask if they would like to receive the sale proceeds above £100 or £1,000 back (less the commission charge) or if they would like to donate the additional sale proceeds to the charity
 - If the donor does not tell the charity within 21 days that they want to receive the additional sale proceeds then the sale proceeds are treated as a donation to the charity and Gift Aid can then be claimed.

STEP 5

- As the donor has already made a gift aid declaration, once the 21 days have passed, the charity may claim gift aid in respect of that donation.
- For donations where the charity needs to write to the donor, as the donor has already made a Gift Aid declaration, once the 21 days have passed, the charity may claim Gift Aid in respect of that donation.

EXAMPLE PROCESS SUMMARY



EXAMPLES

01. NO GIFT AID CLAIM

Jasmin takes a bag of goods into a charity shop.

She does not wish to make a donation under the Retail Gift Aid scheme and so donates the goods to the charity.

When the charity sells the goods it keeps the sales proceeds but is not able to claim Gift Aid.

02. STANDARD METHOD

Emily takes a bag of goods into a charity shop.

The shop assistant asks Emily if she would like to make her donation under Retail Gift Aid and explains the conditions required to do so. Emily is a UK taxpayer, agrees and signs an agency agreement and completes a Gift Aid declaration.

Emily leaves the goods at the shop but remains the owner of the goods.

The charity sells the items on Emily's behalf and writes to Emily to inform her of the sales proceeds which have been received. The letter explains she can claim back the sales proceeds (less the amount of commission which the shop has charged for selling the goods on her behalf). The letter explains to Emily that if she does not claim the sales proceeds within 21 days, the net amount will be treated as a donation to the charity.

Emily does not tell the charity within 21 days that she would like to claim the net sales proceeds and therefore the amount is treated as a donation from Emily to the charity.

As the charity holds a valid Gift Aid declaration from Emily, the charity claims Gift Aid on the donation.

03. METHODS A AND B

Renaldo takes a bag of goods into a charity shop.

The shop assistant asks Renaldo if he would like to make his donation under Retail Gift Aid and explains the conditions required to do so. Renaldo is a UK taxpayer, agrees and signs an agency agreement and completes a Gift Aid declaration.

Renaldo leaves the goods at the shop but remains the owner of the goods.

The charity sells the items on Renaldo's behalf and as the total sales proceeds are less than £100 (Method A) or £1,000 (Method B), the charity claims Gift Aid on the amount of Renaldo's donation.

At the end of the tax year, the charity writes to Renaldo to let him know how much has been raised from the sale of his goods during the year.

MODULE 1 QUIZ

Questions

Q1. How much extra can a charity claim if the donor makes their donation under the Retail Gift Aid scheme?

- a 5% of the amount of the donation.
- b 20% of the amount of the donation.
- c 25% of the amount of the donation.
- d 100% of the amount of the donation.

Q2. Who can be a Gift Aider?

- a Anyone who lives in the UK.
- b UK taxpayers only.

Q3. What documents must the donor complete in order to be eligible to donate using Retail Gift Aid?

- a Agency agreement only.
- b Gift Aid declaration only.
- c Agency agreement and gift aid declaration.
- d Agency agreement, gift aid declaration and ownership statement.

Q4. What would happen if HMRC found out that the charity has claimed too much Gift Aid?

- a Nothing, this is a charity so HMRC don't mind if a bit too much Gift Aid is claimed.
- b The charity would have to repay the amount which was wrongly claimed.
- c The charity would have to repay the amount which was wrongly claimed plus interest and potentially penalties.

Q5. Whose responsibility is it to get Gift Aid right?

- a The Chief Executive of the charity.
 - b The Head of Gift Aid.
 - c The shop manager.
 - d Everyone who is involved in the Gift Aid process.
-

MODULE 1 QUIZ

Answers

Q1. How much extra can a charity claim if the donor makes their donation under the Retail Gift Aid scheme?

- c** 25% of the amount of the donation.

Q2. Who can be a Gift Aider?

- b** UK taxpayers only.

Q3. What documents must the donor complete in order to be eligible to donate using Retail Gift Aid?

- c** Agency agreement and gift aid declaration.

Note: these may be a single form for your charity, which covers both agreements. You should ensure that you are familiar with the specific forms required by your charity).

Q4. What would happen if HMRC found out that the charity has claimed too much Gift Aid?

- c** The charity would have to repay the amount which was wrongly claimed plus interest and potentially penalties.

Q5. Whose responsibility is it to get Gift Aid right?

- d** Everyone who is involved in the Gift Aid process.

MODULE 2A

Conversations with the donor: Standard Method

RECOMMENDED AUDIENCE

Shop staff and volunteers

Shop managers

SIGNING UP A NEW DONOR FOR RETAIL GIFT AID

SUMMARY

The conversation with the donor which takes place when they visit the shop to donate the goods is very important. This conversation is the key opportunity to sign up new donors for Retail Gift Aid but it is also important that the conversation explains everything that the donor needs to know.

Your shop should have clearly displayed signage stating that the shop is operating Retail Gift Aid and signage/tickets which make it clear that some items are being sold under the Retail Gift Aid scheme.

Whenever a donor brings items to donate to the charity, you should ask them whether they would like to donate the items under the Retail Gift Aid scheme.

Some potential ways of starting this conversation are:

- *Do you have your Gift Aid card with you today?*
- *Can we Gift Aid your donation?*
- *Do you know about Gift Aid?*
- *Are you registered with us for Gift Aid?*

Existing donors

Some donors may already be signed up for Retail Gift Aid with the charity and in these cases you should obtain their unique donor reference (or similar identifier used in your shop). The items should then be clearly marked with the donor's reference number as explained in module 4.

You should remind the donor that they need to be a UK taxpayer to donate under Gift Aid. This is a useful reminder as their circumstances may have changed since they originally signed up for Retail Gift Aid. If the donor is no longer a UK taxpayer you should not claim Gift Aid on the sales proceeds from their goods and you should update your records to reflect this.

New donors

If the individual is not currently registered with your charity for Retail Gift Aid then you should explain the scheme to them and ask if they would like to sign up.

This would usually include the following:

- The Retail Gift Aid scheme enables the charity to increase the value of the donation by 25%
- The individual must have paid sufficient UK income or capital gains tax to cover the amount of the gift aid which will be claimed on all donations made to all charities in each tax year
- The individual will retain legal and beneficial ownership of the items until they are sold; the proceeds of any sale will belong to the individual
- The shop will charge commission on the sales, which will be deducted from the sales proceeds. The amount of commission will vary for different charities but will be set at a reasonable rate to cover the cost of operating the scheme. You should make sure you know how much your charity charges
- Once the goods have been sold, the shop will write to the individual to ask if they would like to receive the net sales proceeds. If the individual does not respond then the net sales proceeds will be treated as a donation to the charity and the charity will claim Gift Aid on the donation
- 'Before we make any Gift Aid claim, we will write to/email you to inform you of the money raised from the sale of your goods once sufficient items have been sold. You can then choose to retain or donate those sales proceeds to the charity'
- The goods must belong to the individual named in the agency agreement and on the Gift Aid declaration.

If, having understood what the Retail Gift Aid scheme entails, the donor wishes to sign up then they will need to complete two documents (or one document which combines these two requirements):

The agency agreement - which explains that the shop will sell the items on behalf of the donor.

The Gift Aid declaration - which enables the charity to claim Gift Aid on any donations received from that donor.

Charities will have different ways of setting out these documents and they will often be included on a single form. You should ensure that you know which form(s) your charity uses.

MORE INFORMATION - UK TAXPAYER

The donor must have paid enough UK income tax and/or capital gains tax in the year to cover the Gift Aid which will be claimed on their donations.

This includes all donations that they make in the year to your charity and any other charities that they donate to.

If the donor is not a UK taxpayer they cannot participate in the Retail Gift Aid scheme and they should not complete a Gift Aid declaration.

- The tax year runs from 6 April of one year to 5 April of the following year
- The amount of UK tax that they need to have paid will be at least one quarter of the amount of all the donations that they make to all charities in that year
- VAT and Council Tax do not count for these purposes.

When a donor has agreed to sign up for Retail Gift Aid, they will need to complete a Gift Aid declaration form.

POINTS TO REMEMBER

Ensure that the donor has completed the mandatory sections of the Gift Aid form.

Take time to enter the details from the form onto your record keeping system accurately.

Ensure that the donor's unique reference number is attached to the goods that they have brought in, so their sales can be recorded accurately.



MODULE 2A QUIZ - STANDARD METHOD

Questions

Q1. Which of the following statements is true?

- a We should discuss Retail Gift Aid with every person who brings in goods for sale because you can't tell who is and is not a taxpayer without speaking to them.
- b We should not discuss Retail Gift Aid with old people because pensioners don't pay tax.
- c If someone isn't sure whether or not they pay tax you should sign them up for Retail Gift Aid anyway because it will make more money for the charity.
- d We should wait for the person bringing in goods for sale to mention Retail Gift Aid as it's not our job to tell them if they can sign up.

Q2. A regular donor comes into the shop with a bag of clothes and hands you her donor reference number. Whilst you are processing the bag she mentions that she is annoyed that her neighbour keeps giving her items to bring in while she is visiting the shop. Should you include the goods in the Retail Gift Aid scheme?

- a Yes, she has brought in the goods so there is no reason to believe that she doesn't own them.
- b Yes, but only once you have confirmed that the donor owns the goods.
- c No, these goods clearly belong to someone else.

Q3. When you are explaining the Gift Aid requirements to the potential donor, he mentions that he pays VAT on everything he buys so that must be more than the Gift Aid which will be claimed. Should you let him proceed with signing up for Retail Gift Aid?

- a Yes, he will have paid enough VAT to cover the donations.
- b Maybe but only once you have explained that VAT does not count for the purposes of Gift Aid and he has confirmed that he also pays sufficient income tax/capital gains tax.
- c No, he does not understand the Retail Gift Aid scheme so should not be allowed to sign up.

Q4. A regular donor visits the shop with a bag of goods. She gives you her donor card and while you are processing the items she mentions that she is not in a rush because now she is retired she has more spare time. What should you do?

- a Take the goods and process them as Gift Aid stock as usual, she is a regular donor who you know well so its fine to continue in the same way.
- b Refuse to accept her goods under the Retail Gift Aid scheme as she is not a taxpayer any more.
- c Remind her that she must be a UK taxpayer to participate in the Retail Gift Aid scheme and ask her to confirm that she will still pay UK tax now that she is retired.

Q5. When will your charity write to the individual as part of the Retail Gift Aid claim?

- a Never, once you have taken the goods they belong to the charity so you won't bother the donor any more.
- b You will write to them once goods have been sold and before the Gift Aid claim is made. If they want the charity to claim Gift Aid then they will need to write back to confirm this.
- c You will write to them once goods have been sold and before the Gift Aid claim is made. If they are happy to donate the sales proceeds then they won't need to do anything else.

MODULE 2A QUIZ

Answers

Q1. Which of the following statements is true?

- a We should discuss Retail Gift Aid with every person who brings in goods for sale because you can't tell who is and is not a taxpayer without speaking to them.

Q2. A regular donor comes into the shop with a bag of clothes and hands you her donor reference number. Whilst you are processing the bag she mentions that she is annoyed that her neighbour keeps giving her items to bring in while she is visiting the shop. Should you include the goods in the Retail Gift Aid scheme?

- b Yes, but only once you have confirmed that the donor owns the goods.

Note: The individual who is entering into the agreement with the shop must be the owner of the goods. You may wish to check with the individual that this is the case. If in doubt, Gift Aid should not be claimed and you should not process the goods under the Retail Gift Aid scheme.

Q3. When you are explaining the Gift Aid requirements to the potential donor, he mentions that he pays VAT on everything he buys so that must be more than the Gift Aid which will be claimed. Should you let him proceed with signing up for Retail Gift Aid?

- b Maybe but only once you have explained that VAT does not count for the purposes of Gift Aid and he has confirmed that he also pays sufficient income tax/capital gains tax.

Note: The only types of tax which count for the purposes of calculating whether an individual has paid enough tax to cover the Gift Aid claim are income tax and capital gains tax. VAT and Council Tax do not count.

Q4. A regular donor visits the shop with a bag of goods. She gives you her donor card and while you are processing the items she mentions that she is not in a rush because now she is retired she has more spare time. What should you do?

- c Remind her that she must be a UK taxpayer to participate in the Retail Gift Aid scheme and ask her to confirm that she will still pay UK tax now that she is retired.

Q5. When will your charity write to the individual as part of the Retail Gift Aid claim?

- c You will write to them once goods have been sold and before the Gift Aid claim is made. If they are happy to donate the sales proceeds then they won't need to do anything else.

MODULE 2B

Conversations with the donor: Methods A and B

RECOMMENDED AUDIENCE

Shop staff and volunteers

Shop managers

EXPLAINING THE RETAIL GIFT AID SCHEME TO DONORS

SUMMARY

The conversation with the donor which takes place when they visit the shop to donate the goods is very important.

This conversation is the key opportunity to sign up new donors for Retail Gift Aid but it is also important that the conversation explains everything that the donor needs to know.

SIGNING UP A NEW DONOR

Your shop should have clearly displayed signage stating that the shop is operating Retail Gift Aid and signage/tickets which make it clear that some items are being sold under the Retail Gift Aid scheme.

Whenever a donor brings items to donate to the charity, you should ask them whether they would like to donate the items under the Retail Gift Aid scheme.

Some potential ways of starting this conversation are:

- *Do you have your Gift Aid card with you today?*
- *Can we Gift Aid your donation?*
- *Do you know about Gift Aid?*
- *Are you registered with us for Gift Aid?*

Existing donors

Some donors may already be signed up for Retail Gift Aid with the charity and in these cases you should obtain their unique donor reference (or similar identifier used in your shop). The items should then be clearly marked with the donor's reference number as explained in module 4.

You should remind the donor that they need to be a UK taxpayer to donate under Gift Aid. This is a useful reminder as their circumstances may have changed. If the donor is no longer a taxpayer you should not claim Gift Aid on the goods and you should update your records to reflect this.

New donors

If the individual is not currently registered with your charity for Retail Gift Aid then you should explain the Retail Gift Aid scheme to them and ask if they would like to sign up.

You will need to explain to the donor when they bring in the goods for sale that you will automatically claim Gift Aid on the first part of their sale proceeds. The agency agreement should make this clear but you should highlight this to the donor when you speak to them.

In particular it is important that the donor understands this so that they can be sure that they will pay enough tax to cover the Gift Aid that will be claimed on the part of the donation that they will not be notified of.

When the individual signs up for Retail Gift Aid they should also be told that they will receive a letter or email at the end of the tax year informing them of the total amount raised from the sales of their goods. Individuals who can claim higher rate tax relief need this letter to enable them to claim their tax relief.

This would usually include the following:

- The Retail Gift Aid scheme enables the charity to increase the value of the donation by 25%
- The individual must have paid sufficient UK income or capital gains tax to cover the amount of the Gift Aid which will be claimed on all donations made to all charities in each tax year
- The individual will retain legal and beneficial ownership of items until they are sold; the proceeds of any sale will belong to the individual
- The shop will charge commission on the sales, which will be deducted from the sales proceeds. The amount of commission will vary for different charities but will be set at a reasonable rate to cover the cost of operating the scheme. You should make sure you know how much your charity charges
- Your charity will claim Gift Aid on the first £100 (Method A) or up to £1,000 (Method B) of sales proceeds that you receive from the sale of the donor's goods in each tax year. The donor will not be notified before this claim is made
- If more than £100 (Method A) or £1,000 (Method B) is raised in a tax year, then the charity will write to the individual to ask if they would like the net sales proceeds. If the individual does not respond then the net sales proceeds will be treated as a donation to the charity and the charity will claim Gift Aid on the donation
- In any case, the charity will write to the donor at the end of each tax year to let them know how much has been raised from the sale of their goods
- The goods must belong to the individual named in the agency agreement and on the Gift Aid declaration.

If, having understood what the Retail Gift Aid scheme entails, the donor wishes to sign up then they will need to complete two documents (or one document which combines these two requirements):

- **The agency agreement** - which explains that the shop will sell the items on behalf of the donor
- **The Gift Aid declaration** - which enables the charity to claim Gift Aid on any donations received from that donor.

Charities will have different ways of setting out these documents and they will often be included on a single form. You should ensure that you know which form(s) your charity uses.

MORE INFORMATION - UK TAXPAYER

The donor must have paid sufficient income tax and/or capital gains tax in the year to cover the Gift Aid which will be claimed on their donations.

This includes all donations that they make in the year to your charity and any other charities that they donate to.

If the donor is not a UK taxpayer they cannot participate in the Retail Gift Aid scheme and they should not complete a Gift Aid declaration.

- The tax year runs from 6 April of one year to 5 April of the following year
- The amount of tax that they need to have paid will be at least one quarter of the amount of all the donations that they make in that year
- VAT and Council Tax do not count for these purposes.

POINTS TO REMEMBER

Ensure that the donor has completed the mandatory sections of the Gift Aid form.

Take time to enter the details from the form onto your record keeping system accurately.

Ensure that the donor's unique reference number is attached to the goods that they have brought in, so that their sales can be recorded accurately.



MODULE 2B QUIZ

Questions

Q1. Which of the following statements is true?

- a We should discuss Retail Gift Aid with every person who brings in goods for sale because you can't tell who is and is not a taxpayer without speaking to them.
- b We should not discuss Retail Gift Aid with old people because pensioners don't pay tax.
- c If someone isn't sure whether or not they pay tax you should sign them up for Retail Gift Aid anyway because it will make more money for the charity.
- d We should wait for the person bringing in goods for sale to mention Retail Gift Aid as it's not our job to tell them if they can sign up.

Q2. A regular donor comes into the shop with a bag of clothes and hands you her donor reference number. Whilst you are processing the bag she mentions that she is annoyed that her neighbour keeps giving her items to bring in while she is visiting the shop. Should you include the goods in the Retail Gift Aid scheme?

- a Yes, she has brought in the goods so there is no reason to believe that she doesn't own them.
- b Yes, but only once you have confirmed that the donor owns the goods.
- c No, these goods clearly belong to someone else.

Q3. When you are explaining the Gift Aid requirements to the potential donor, he mentions that he pays VAT on everything he buys so that must be more than the Gift Aid which will be claimed. Should you let him proceed with signing up for Retail Gift Aid?

- a Yes, he will have paid enough VAT to cover the donations.
- b Maybe but only once you have explained that VAT does not count for the purposes of Gift Aid and he has confirmed that he also pays sufficient income tax/capital gains tax.
- c No, he does not understand the Retail Gift Aid scheme so should not be allowed to sign up.

Q4. A regular donor visits the shop with a bag of goods. She gives you her donor card and while you are processing the items she mentions that she is not in a rush because now she is retired she has more spare time. What should you do?

- a Take the goods and process them as Gift Aid stock as usual, she is a regular donor who you know well so it's fine to continue in the same way.
- b Refuse to accept her goods under the Retail Gift Aid scheme as she is not a taxpayer any more.
- c Remind her that she must be a UK taxpayer to participate in the Retail Gift Aid scheme and ask her to confirm that she will still pay UK tax now that she is retired.

Q5. When will your charity write to the individual as part of the Retail Gift Aid claim?

- a Never, once you have taken the goods they belong to the charity so you won't bother the donor any more.
- b You will only write to the donor once goods in excess of the agreed amount (usually £100 or £1,000) have been sold. By signing up to the scheme they are confirming that they are happy to donate anything below the agreed amount to the charity. You will also send them an annual statement.
- c You will write to them once goods have been sold and before the Gift Aid claim is made.

MODULE 2B QUIZ - METHODS A & B

Answers

Q1. Which of the following statements is true?

- a We should discuss Retail Gift Aid with every person who brings in goods for sale because you can't tell who is and is not a taxpayer without speaking to them.

Q2. A regular donor comes into the shop with a bag of clothes and hands you her donor reference number. Whilst you are processing the bag she mentions that she is annoyed that her neighbour keeps giving her items to bring in while she is visiting the shop. Should you include the goods in the Retail Gift Aid scheme?

- b Yes, but only once you have confirmed that the donor owns the goods.

Note: The individual who is entering into the agreement with the shop must be the owner of the goods. You may wish to check with the individual that this is the case. If in doubt, Gift Aid should not be claimed and you should not process the goods under the Retail Gift Aid scheme.

Q3. When you are explaining the Gift Aid requirements to the potential donor, he mentions that he pays VAT on everything he buys so that must be more than the Gift Aid which will be claimed. Should you let him proceed with signing up for Retail Gift Aid?

- b Maybe but only once you have explained that VAT does not count for the purposes of Gift Aid and he has confirmed that he also pays sufficient income tax/capital gains tax.

Note: The only types of tax which count for the purposes of calculating whether an individual has paid enough tax to cover the Gift Aid claim are income tax and capital gains tax. VAT and Council Tax do not count.

Q4. A regular donor visits the shop with a bag of goods. She gives you her donor card and while you are processing the items she mentions that she is not in a rush because now she is retired she has more spare time. What should you do?

- c Remind her that she must be a UK taxpayer to participate in the Retail Gift Aid scheme and ask her to confirm that she will still pay UK tax now that she is retired.

Q5. When will your charity write to the individual as part of the Retail Gift Aid claim?

- b You will only write to the donor once goods in excess of the agreed amount (usually £100 or £1,000) have been sold. By signing up to the scheme they are confirming that they are happy to donate anything below the agreed amount to the charity. You will also send them an annual statement.

MODULE 3

Completing the Gift Aid declaration

RECOMMENDED AUDIENCE

Shop staff and volunteers

Shop managers

Administrative staff

GIFT AID DECLARATIONS

SUMMARY

Each donor must complete a Gift Aid declaration which is a statement that they wish Gift Aid to apply to their donations. Your charity will have a standard Gift Aid form which should be completed by the donor when they sign up. The form must be fully completed and you should check this and clarify if necessary while the donor is in the shop. If the form is not fully completed or gets lost the charity cannot claim Gift Aid from that donor.

The Gift Aid declaration is the donor's agreement that Gift Aid can be claimed on their donations. Your charity will have a standard declaration which should be used when donors sign up for the Retail Gift Aid scheme.

There are a number of items which must be included on the Gift Aid declaration. If the Gift Aid declaration does not contain the right information or is not fully completed then it will not be valid and no Gift Aid should be claimed.

THE GIFT AID DECLARATION MUST CONTAIN

The donor's name - as a minimum this should be an initial and surname but the full name is better. For online submission of Retail Gift Aid claims, a title is also required.

The donor's home address - no other type of address is acceptable. The address must include the postcode.

The name of the charity - this is usually pre-printed onto the Gift Aid declaration.

A statement that the donor wants Gift Aid to apply to their donation, such as:

I want to Gift Aid my donation of £_____ and any donations I make in the future or have made in the past 4 years

Identify the donation(s) to which the declaration relates - this will usually be for all future donations that the donor makes so they only need to complete the form once. If the declaration relates to future donations then it should be dated.

A statement that the donor understands that they need to pay sufficient UK tax - UK income and/or capital gains tax in the tax year to cover the tax which the charity will claim on the donations. One example would be:

I am a UK taxpayer and understand that if I pay less Income Tax and/or Capital Gains Tax than the amount of Gift Aid claimed on all my donations in that tax year it is my responsibility to pay any difference.

The Gift Aid declaration does not have to be signed to be valid but many forms do ask for a signature for completeness.

WHY IS THIS IMPORTANT?

HMRC can and do check Gift Aid records and it is therefore important that the Gift Aid declarations are completed and stored correctly.

This involves completing the forms correctly, updating the donor's record on your system correctly and ensuring that the conversation with the donor gives them enough information to make an informed decision about whether to participate.

You should follow your charity's procedures for entering the information from the Gift Aid declaration onto your database. This may be done in store or you may send the declarations away to head office to be recorded.

The charity must retain a copy of the declaration, either in paper format or as a scan. All documentation must be retrievable and legible. If this declaration is lost or incomplete then all donations from that individual will become invalid and any Gift Aid claimed will need to be repaid.



MODULE 3 QUIZ

Questions

Q1. A new donor completes a Gift Aid declaration but says that they don't want to disclose their home address. Instead they give you the address of the office where they work. Is this acceptable?

- a Yes.
- b No.

Q2. A new donor signs up to Retail Gift Aid. Once they have left the shop you notice that they have missed the postcode off of the form. What action should you take?

- a Put the donor on the system anyway, the declaration will be valid if it contains the rest of the address.
- b Reject the declaration and don't claim any Gift Aid.
- c Follow your charity's process for obtaining missing information.

Q3. Which of the following is legally required to be included on the Gift Aid declaration?

- i. Donor's postcode
- ii. Donor's home address
- iii. Donor's first initial or first name

- a i and ii only.
- b i and iii only.
- c i, ii and iii.

Q4. A donor completes the Gift Aid declaration below. Is this a valid declaration? If not, which areas should you ask for more information on?

Name: Mrs Tickle
Address: 25 High Street, Crawley, West Sussex RH6

- a Yes the declaration is complete.
- b No, you should also request the full postcode.
- c No, you should also request the donor's date of birth and postcode.
- d No, you should also request the donor's full postcode and initial or first name.

Q5. While you are tidying up the back office you notice a box full of completed Gift Aid declarations. The person that you are working with suggests that you throw these away, the donor details are on the system now and they are just taking up space. What are the consequences of throwing away the declarations?

- a This is fine, the details are on the system anyway.
- b This is fine, no one will ever check.
- c The Gift Aid claimed on all of the donations relating to the Gift Aid declarations thrown away will be invalid and will need to be repaid.

MODULE 3 QUIZ

Answers

Q1. A new donor completes a Gift Aid declaration but says that they don't want to disclose their home address. Instead they give you the address of the office where they work. Is this acceptable?

b No.

Note: The form must contain the donor's home address including postcode.

Q2. A new donor signs up to Retail Gift Aid. Once they have left the shop you notice that they have missed the postcode off of the form. What action should you take?

c Follow your charity's process for obtaining missing information.

Note: The Gift Aid claim is made online and includes an automatic postcode check. The claim will be rejected unless it contains a valid postcode.

Your charity may have a specific process for obtaining postcodes, such as online searches or contacting the donor and you should follow these processes where possible. If it is not possible to obtain a valid postcode then Gift Aid should not be claimed on the donation.

Q3. Which of the following is legally required to be included on the Gift Aid declaration?

- i. Donor's postcode
- ii. Donor's home address
- iii. Donor's first initial or first name

c i, ii and iii.

Q4. A donor completes the Gift Aid declaration below. Is this a valid declaration? If not, which areas should you ask for more information on?

Name: Mrs Tickle
Address: 25 High Street, Crawley, West Sussex RH6

d No, you should also request the donor's full postcode and initial or first name.

Q5. While you are tidying up the back office you notice a box full of completed Gift Aid declarations. The person that you are working with suggests that you throw these away, the donor details are on the system now and they are just taking up space. What are the consequences of throwing away the declarations?

c The Gift Aid claimed on all of the donations relating to the Gift Aid declarations thrown away will be invalid and will need to be repaid.

MODULE 4

Making sales and processing stock

RECOMMENDED AUDIENCE

Shop staff and volunteers

Shop managers

WHAT TO DO WHEN MAKING SALES UNDER THE RETAIL GIFT AID SCHEME

SUMMARY

Each donor must complete a Gift Aid declaration which is a statement that they wish Gift Aid to apply to their donations.

Your charity will have a standard Gift Aid form which should be completed by the donor when they sign up.

The form must be fully completed and you should check this and clarify if necessary while the donor is in the shop.

If the form is not fully completed or gets lost the charity cannot claim Gift Aid from that donor.

PROCESSING THE STOCK

Each item held under the Retail Gift Aid scheme must be tracked while it is in the store. Most charities do this using stickers/labels which include the donor's unique reference number which are attached to each item being sold under the Retail Gift Aid scheme.

When the donor brings in items you should ask them for their reference number or look this up on your system. You should then attach one of the corresponding stickers to each item.

If the donor brings in a number of items it is acceptable to attach a reference to the bag and attach the stickers to individual items later, as long as the bag is sealed so that there can be no risk that stock could get mixed up.

You should then price the item as normal using your shops agreed procedures.

SELLING AN ITEM UNDER THE RETAIL GIFT AID SCHEME

When an item is sold you should always check to see whether it has a Gift Aid sticker on it or not. If it does then you should record this using your charity's agreed upon method for sales of Retail Gift Aid items.

For some charities the till will automatically record the sale via a scanned barcode and will update the donor's record accordingly. For other charities this may involve manually updating the record.

In either case this step is important to record all sales made by the donor and when applicable trigger the Gift Aid claim and (if relevant) the letter to the donor.

The person who is purchasing the item is not affected by whether the item is in the Retail Gift Aid scheme or not. They will pay the same amount for the item and their tax status is not affected.

UNSOLD ITEMS

The charity is not required to sell every item which is brought into the shop for sale under the Retail Gift Aid scheme. If the items are not in saleable condition or do not sell in accordance with your stock policies then, subject to the terms of the agency agreement, the charity can dispose of these items through their chosen disposal method, for example rag sale.



FREQUENTLY ASKED QUESTIONS IN THE SHOP

How does Gift Aid work?

The charity can reclaim the basic rate of tax from HMRC. There is no extra cost to the supporter and the process is simple.

What is a Gift Aid declaration?

It is a statement by an individual tax payer that they want the charity to get back from HMRC the tax paid on their donation. This is a great way to add 25% to the value of the gift without costing the supporter a penny more.

Will you share my details with the Tax Office/HMRC?

When a Gift Aid claim is submitted to HMRC it will include your name and address and the amount you have donated. We are required to provide this as part of the claim.

Is there any cost to me?

None at all as long as you have paid enough UK tax to cover the tax we will reclaim on your donations.

How many charities can you sign up with for Retail Gift Aid?

As many as you like as long as you pay enough UK tax to cover the value of donation/ donated goods.

I am self-employed and need to know how much my goods have been sold for.

We either send you a regular statement and/or an annual summary depending on the version of Retail Gift Aid the charity is using.

[Note if your charity uses method A or Method B you should explain that the first £100/£1,000 of sales will automatically be treated as a donation without first writing to the donor. In these cases you will send them a letter at the end of the tax year to keep them up to date].

How does the 'Agency' thing work?

You leave your items with us and we act as your agent to sell them. We sell the items on your behalf and you then donate the cash raised to the charity, less the amount of commission we charge for making the sale on your behalf and the related VAT. We can then claim the Gift Aid on that amount. This process happens via the notification letter we will send you and no action is required by you.

What should I do if someone brings in goods from a person who is deceased?

We can only take items under the Retail Gift Aid scheme where the person bringing them in is the legal owner of the items. This can be very complicated where the items are from a deceased person's estate. In most cases it is advisable not to claim Gift Aid on these items.



MODULE 4 QUIZ

Questions

Q1. How should items be stored before they are sorted?

- a Retail Gift Aid items should be stored in a separate room to non-Retail Gift Aid items to stop them getting mixed up.
- b Retail Gift Aid items should be clearly marked with the donor's reference as soon as they are brought into store. They can be stored in the same room as non-Retail Gift Aid donations.
- c It's fine if the items get a bit mixed up as long as you do your best to make sure that as many items get marked for Gift Aid as possible.

Q2. An individual comes into the shop to donate a painting. You discuss the possibility of Gift Aid with them but they explain that they are not a UK taxpayer and so are not able to sign up for the Retail Gift Aid scheme.

When you are pricing the item in the stock room you realise that it is quite valuable. If Gift Aid were to be claimed on the sale proceeds this would represent a large amount for the charity. You mention this to a colleague who says that as you are registered for the charity's Retail Gift Aid scheme you could just put one of your stickers on the item as this will make the most money for your charity. Is this acceptable?

- a No - This is fraud which could result in both you and the charity facing prosecution.
- b Yes - This is acceptable as you will be helping the charity to make more money from donations.

Q3. You are sorting donated items in the stock room. Two bags have split open and items have fallen out of each. What should you do with the items no longer in bags?

- a Do your best to put the items back into the correct bags as they were all intended for Gift Aid so it doesn't really matter which donor they are assigned to.
- b Do not claim Gift Aid on any of the mixed up items as you can't be sure who they belong to.
- c Do not claim Gift Aid on any of the items in either of the bags as you cannot be sure that the items are in the correct bag.

Q4. You receive a bag of clothes to sell under the Retail Gift Aid scheme. When you are sorting through the bag, there are a number of items which are not in a suitable condition to be sold. What should you do with these items?

- a The charity must sell the items as they have agreed to do so.
- b If it's not possible to sell the items it is acceptable to either dispose of them or sell them as rag (depending on your charity's preferred process).
- c You must return the items to the donor as they still belong to them.

MODULE 4 QUIZ

Answers

Q1. How should items be stored before they are sorted?

- b** Retail Gift Aid items should be clearly marked with the donor's reference as soon as they are brought into store. They can be stored in the same room as non-Retail Gift Aid donations.

Q2. An individual comes into the shop to donate a painting. You discuss the possibility of Gift Aid with them but they explain that they are not a UK taxpayer and so are not able to sign up for the Retail Gift Aid scheme.

When you are pricing the item in the stock room you realise that it is quite valuable. If Gift Aid were to be claimed on the sale proceeds this would represent a large amount for the charity. You mention this to a colleague who says that as you are registered for the charity's Retail Gift Aid scheme you could just put one of your stickers on the item as this will make the most money for your charity. Is this acceptable?

- a** No - This is fraud which could result in both you and the charity facing prosecution.

Q3. You are sorting donated items in the stock room. Two bags have split open and items have fallen out of each. What should you do with the items no longer in bags?

- b** Do not claim Gift Aid on any of the mixed up items as you can't be sure who they belong to.

Q4. You receive a bag of clothes to sell under the Retail Gift Aid scheme. When you are sorting through the bag, there are a number of items which are not in a suitable condition to be sold. What should you do with these items?

- b** If it's not possible to sell the items it is acceptable to either dispose of them or sell them as rag (depending on your charity's preferred process).
-

MODULE 5A

Writing to donors: Standard Method

RECOMMENDED AUDIENCE

Shop managers

Administrative staff

INFORMING DONORS AFTER A SALE

SUMMARY

Charities must write to donors once their goods have been sold under the Retail Gift Aid scheme but before a Gift Aid claim is made.

This is because the shop has sold goods which still belong to the donor and the sales proceeds also belong to the donor. Writing to the donor gives them the chance to say that they do not want to donate the sales proceeds to the charity. This is critical to ensure that when they do give the funds to charity it is the type of donation which is eligible for Gift Aid.

There are three different ways in which a charity shop can operate the Retail Gift Aid scheme:

- Standard method
- Method A - for charities and trading subsidiaries
- Method B - only for trading subsidiaries.

Generally a charity will only operate one of these methods. If you are using this module it is because your charity operates the standard method.

STANDARD METHOD

After the goods are sold under the Retail Gift Aid scheme, but before the charity makes a Gift Aid claim, the charity should write to the owner of the goods to advise them that their goods have been sold and how much was raised from the sale. As a commission and VAT will have been charged on the sale, the amount of sales proceeds will be the net amount.

EXAMPLE

Paul brings some items to the shop. He is already a Retail Gift Aid donor and provides his donor number to the shop staff.

Paul's items are sold for £25. Before the charity can claim Gift Aid on the amount that it receives, it must write to Paul using the standard letter provided by HMRC. This letter gives Paul an opportunity to reclaim the net sales proceeds.

If the charity does not receive a response from Paul within 21 days of the date of the letter, it can make a Gift Aid claim on the net sales proceeds from the sale of Paul's goods.

You do not have to write to the donor after every sale. Your charity's policy may be to wait until a certain amount has been raised from a particular donor before writing as this may save costs.

The charity may write to the donor by letter or by email.

The letter/email should explain to the donor that the charity will treat the net sales proceeds as a donation unless the donor contacts the charity within 21 days. HMRC has produced a standard letter which the charity must use for writing to the donor. You can add additional information to the letter and alter the opening and closing sections but the words in italics must be used.

The standard letter is available from [\[link to website\]](#).

If the email is not delivered then you should send a letter to the donor instead. Gift Aid should not be claimed where a letter is returned undelivered.



MODULE 5A QUIZ

Questions

Q1. Under your charity's Retail Gift Aid method, what is the limit on the amount the shop can sell before it must write to donors before making a Gift Aid claim?

- a Nothing - the charity must always write to the donor before it makes a Gift Aid claim.
- b £50.
- c £100.
- d £1,000.

Q2. How long does the donor have to respond if they want to claim the net sales proceeds from the sale of their goods?

- a 7 days.
- b 14 days.
- c 21 days.
- d 30 days.

Q3. Is email an acceptable method of contacting donors to let them know how much their goods have sold for?

- a Yes.
- b No.

Q4. Where should you go to obtain the content of the letter?

MODULE 5A QUIZ

Answers

Q1. Under your charity's Retail Gift Aid method, what is the limit on the amount the shop can sell before it must write to donors before making a Gift Aid claim?

- a Nothing - the charity must always write to the donor before it makes a Gift Aid claim.

Q2. How long does the donor have to respond if they want to claim the net sales proceeds from the sale of their goods?

- c 21 days.

Q3. Is email an acceptable method of contacting donors to let them know how much their goods have sold for?

- a Yes.

Q4. Where should you go to obtain the content of the letter?

HMRC website

MODULE 5B

Writing to donors: Methods A and B

RECOMMENDED AUDIENCE

Shop managers

Administrative staff

INFORMING DONORS AFTER A SALE

SUMMARY

Because the shop has sold goods which belong to the donor, the sales proceeds belong to the donor. The charity must get the donor's permission to treat the sales proceeds as a donation.

Writing to the donor gives them the chance to say that they do not want to donate the sales proceeds to the charity. This is critical to ensure that when they do give the funds to charity it is the type of donation which is eligible for Gift Aid.

Method A - if your charity uses method A for its Retail Gift Aid scheme it does not need to write to the donor in relation to the first £100 of net sales proceeds as the individual will have agreed to donate these when they signed up for Retail Gift Aid.

Method B - if your charity uses method B for its Retail Gift Aid scheme, it does not need to write to the donor in relation to the first £1,000 of net sales proceeds as the individual will have agreed to donate these when they signed up for Retail Gift Aid.

You should explain to donors that you will write if the sales proceeds exceed an agreed amount but that they will receive a summary anyway at the end of each tax year detailing the net sales proceeds raised and the amount of Gift Aid claimable in that tax year.

WRITING TO DONORS

Because the person who brings in the items to be sold remains the owner of the goods until they are sold, it is important that they are given an opportunity to keep the sales proceeds if they want to.

Usually, the charity would have to write to each donor before it made a Gift Aid claim if the claim included funds raised from the sale of their goods. However, because this would result in a lot of administration for the charity, some charities have opted to use a simplified method for operating the Retail Gift Aid scheme known as either Method A or Method B.

Check: Make sure that you know which method your charity uses.

Under these methods, the charity can claim Gift Aid on a fixed amount of sales from each donor for each year without first needing to write to the donor.

The amount that the charity can claim Gift Aid on from each donor before needing to write to them is:

- Method A - Up to £100
- Method B - Up to £1,000.

In any case, you will need to write to donors at the end of each tax year to inform them of the total sales proceeds raised from the sale of their goods in that year.

The charity must use HMRC's template letters when writing to donors. You can add additional information to the letters or alter the opening and closing sections but the words in italics must be used.

The standard letter is available from [\[link to website\]](#).

WRITING TO DONORS

If the sales for that donor in a tax year exceed £100 (Method A) or £1,000 (Method B) then the charity will need to contact the donor. You could either:

send a letter or e-mail to the individual and then write again each time further goods are sold

wait until the end of the tax year and send one letter or email detailing the total amount raised in the year.

In either case, your charity will not be able to claim Gift Aid on any amount over £100 until the donor has been sent the notification by letter or email and 21 days have passed without a response.

EXAMPLES

01. NET PROCEEDS LESS THAN LIMIT

Elizabeth brings some goods into a shop operating its Retail Gift Aid scheme under method A. She signs the agency agreement and makes a Gift Aid declaration.

The charity sells Elizabeth's goods for £45 (after commission and VAT).

Because £45 is less than the limit of £100, the charity may treat the sales proceeds as a donation and claim Gift Aid on the donation without first needing to write to Elizabeth.

02. NET PROCEEDS IN EXCESS OF LIMIT

Continuing from example 01, in the same tax year, the charity sells some more of Elizabeth's goods for £70 (after deducting the commission and VAT).

Because the net sales proceeds raised from Elizabeth's goods in that tax year is now £115 (£45 plus £70), the charity can only make a Gift Aid claim on the first £55 of the £70 sales proceeds before writing to Elizabeth.

If the charity wants to claim Gift Aid on the final £15 of sales proceeds which has been raised it must first write to Elizabeth using the appropriate letter for the method it is operating to inform her of the sales proceeds and ask if she wants to reclaim them.

If the charity does not receive a response from Elizabeth within 21 days of the date of the letter, it can assume that Elizabeth is happy to make a donation of the £15 sales proceeds and make a Gift Aid claim.



MODULE 5B QUIZ

Questions

Q1. Under your charity's Retail Gift Aid method, what is the limit on the amount the shop can sell before it must write to donors before making a Gift Aid claim?

- a Nothing - the charity must always write before it makes a Gift Aid claim.
- b £50.
- c £100.
- d £1,000.

Q2. How long does the donor have to respond if they want to claim the net sales proceeds from the sale of their goods?

- a 7 days.
- b 14 days.
- c 21 days.
- d 30 days.

Q3. Is email an acceptable method of contacting donors to let them know how much their goods have sold for?

- a Yes.
- b No.

Q4. Where should you go to obtain the content of the letter?

MODULE 5B QUIZ

Answers

Q1. Under your charity's Retail Gift Aid method, what is the limit on the amount the shop can sell before it must write to donors before making a Gift Aid claim?

- c £100 for Method A
- d £1,000 for Method B

Q2. How long does the donor have to respond if they want to claim the net sales proceeds from the sale of their goods?

- c 21 days

Q3. Is email an acceptable method of contacting donors to let them know how much their goods have sold for?

- a Yes

Q4. Where should you go to obtain the content of the letter?

HMRC website

MODULE 6

Monitoring, reporting and auditing the scheme

RECOMMENDED AUDIENCE

Shop managers

Administrative staff

AUDITING THE SCHEME

SUMMARY

Your charity must maintain clear records of all Gift Aid transactions, including Retail Gift Aid.

You should conduct regular checks on an ongoing basis to monitor Gift Aid processes. This may be internal checks or you may use external advisers.

HMRC audits Retail Gift Aid claims on a regular basis. As part of an audit, HMRC will review the Gift Aid declarations/agency agreements and the banking records for a sample of donors. HMRC will also look at the charity's processes for ensuring that claims are complete and correct and discuss Gift Aid procedures with shop staff/volunteers.

HEAD OFFICE'S ROLE AND ITS INTERACTION WITH SHOPS

For some charities Gift Aid records may be held in shops, in other cases they will be held by Head Office. HMRC will audit the charity's operation of Gift Aid in general, including retail Gift Aid, but as part of this audit HMRC will visit individual shops.

Depending on the way your charity is structured the role of the Head Office will vary. However, it is important that whatever role Head Office takes, there is clear communication between the Head Office and the shops so that everyone is clear on their role in relation to the operation of Retail Gift Aid by your charity.

HMRC AUDITS

HMRC conduct audits of Retail Gift Aid to check that the system is being operated correctly and that Gift Aid claims are fully supported by correctly completed declarations and that an acceptable audit trail exists.

If HMRC audits your charity the following documents will be requested. You should maintain these records so that they are available should they be requested by HMRC.

GIFT AID DOCUMENTS

- each donor's dated Gift Aid declaration
- a copy of the agency agreement signed by each donor.

DONOR CORRESPONDENCE

- records to show that the individual has been notified of the net sale proceeds (where required)
- records to show that end of tax year letters have been sent to all donors by charities operating either Method A or B.

GIFT AID SALES RECORDS

- records tracing Gift Aid claims back to the sales of goods and to individual donors.

OTHER CHECKS

- detailed discussion as to current operating procedures and review of operational and training manuals
- records of checks the charity has carried out on each of its shops to ensure that the Retail Gift Aid process is operated correctly and details of any remedial action taken
- details of any contact you have had with HMRC in relation to errors you may have discovered and guidance on the action to be taken
- records of any changes in process between the Standard Method, Method A or Method B and the movement of individuals from one process to another
- if goods are sold by a trading subsidiary of a charity, records to show how the net sales proceeds are transferred to the charity
- staff/volunteer training records and guidance, to demonstrate that all staff and volunteers have a good understanding of the Retail Gift Aid processes
- details of any adjustments you have made to claims and an explanation of why these have arisen.

AUDITING THE SCHEME

PUTTING THINGS RIGHT AND PENALTIES

If HMRC discovers errors in the Gift Aid claim due to incomplete/missing Gift Aid declarations, the charity will be given a chance to 'repair' these errors by obtaining a valid Gift Aid declaration within an agreed timescale. If the error is successfully repaired the error will not count as part of the final error rate.

Once the repair period has ended, HMRC will recalculate the error rate and apply this to the Gift Aid claim under review in order to establish any overclaim. Depending on the error rate and the amount of Gift Aid at stake, the charity may be asked to repay that proportion of Gift Aid for the current year or four the past four years.

HMRC will charge interest on any overpayment and may also charge penalties, which are calculated as a percentage of the established Gift Aid overclaimed. The amount of the penalty can be between 0% and 100% of the amount of the Gift Aid overclaim based on the charity's behaviour leading to the error. These are categorised as careless, deliberate or deliberate and concealed and may be reduced by the manner in which the charity has cooperated with HMRC during and after the audit.

If a charity contacts HMRC, prior to being notified of an audit, detailing errors that their own reviews have highlighted, and this is classed as a complete disclosure, then HMRC will normally not charge a penalty as this would be deemed a "voluntary disclosure".

Where either the amount or level of errors is small HMRC may issue a 'yellow card' for earlier years rather than make recoveries for those years. 'Yellow cards' are accompanied by advice on remedial action as to how the charity should prevent errors in its record keeping in the future.

If agreement is reached, but the remedial action hasn't been taken, the next time HMRC examine the claims of the charity, they will go back and recover any earlier years that are still in date.

INTERNAL AUDIT OF SHOPS AND HEAD OFFICE

Many charities use internal auditors to review their Retail Gift Aid operations. These may be in charity staff or the charity may use an external specialist.

Internal auditors provide assurance for the charity that the Retail Gift Aid scheme is being operated correctly and help to identify areas where the process could be improved.

A strong internal audit would generally consider:

- The completeness of Gift Aid record keeping, ie a sample check of a recent claim to verify that appropriate records are being kept
- The Retail Gift Aid process and how this supports the validity of the claim
- Staff training records.

In the event of an HMRC Gift Aid audit, evidence that internal audits have been carried out on Retail Gift Aid will be helpful. HMRC would expect to see documentation of the nature of the tests undertaken, the outcome and steps taken to deal with issues that are identified.

IT CONTROLS TO MANAGE RETAIL GIFT AID

Appropriate use of IT can assist with managing the risks associated with Retail Gift Aid, for example through holding donor information on a database or maintaining images of declarations on a central system.

Most charities also have to file their Gift Aid claims online.

Charities should ensure that they have appropriate controls on IT systems to manage the associated risks. This could include:

- Schedules for updates to the system - to ensure that the system remains up to date
- Sign off procedures for updates - to ensure that appropriately qualified staff review changes
- Careful management of data - including instructions for staff uploading and managing data.

Processes for validating the data inputted to the system, for example postcode validation tools and checks for common words which may indicate errors, for example commercial addresses, and use of terms such as 'School', 'University' 'Bank' or 'Limited' in address fields

Including IT controls within internal audit work.

MODULE 6 QUIZ

Questions

Q1. What training records should a charity keep?

- a No records are needed as long as the staff know how Gift Aid works.
- b A record of who has attended the training.
- c A record of who has attended the training and evidence that they understood the training.

Q2. Once the donor information has been put onto the system, does the charity still need to keep a copy of the Gift Aid declaration?

- a Yes.
- b No.

Q3. What is the maximum penalty HMRC can charge on Gift Aid errors?

- a HMRC doesn't charge penalties for charities.
- b 10% of the amount of Gift Aid claimed.
- c 30% of the amount of Gift Aid claimed.
- d 100% of the amount of Gift Aid claimed.

Q4. How many years can HMRC go back when asking a charity to repay overclaimed Gift Aid?

- a Only the current year.
- b Two years.
- c Three years.
- d Four years.

MODULE 6 QUIZ

Answers

Q1. What training records should a charity keep?

- c** A record of who has attended the training and evidence that they understood the training.

Q2. Once the donor information has been put onto the system, does the charity still need to keep a copy of the Gift Aid declaration?

- a** Yes.

Q3. What is the maximum penalty HMRC can charge on Gift Aid errors?

- d** 100% of the amount of Gift Aid claimed.

Q4. How many years can HMRC go back when asking a charity to repay overclaimed Gift Aid?

- d** Four years.
-

MODULE 7

Selling items for rag

RECOMMENDED AUDIENCE

Shop managers

Shop staff and volunteers

Administrative staff

SELLING ITEMS FOR RAG

SUMMARY

It is possible for your charity to claim gift aid on sales of goods as rag.

The same conditions will need to be met in relation to the sale of the goods as rag as for any other sale under the Retail Gift Aid scheme.

In particular, you will still need to be able to track the goods that are sold as rag and be able to establish the proceeds of such a sale.

WHEN MIGHT GOODS BE SOLD AS RAG?

In certain circumstances a charity shop may find it difficult or be unable to sell donated clothing in their shop.

This may be because the clothes are in poor condition or not in line with current styles and trends so will not be offered for sale on the shop floor. Or simply where the clothes have not sold despite being openly on sale in the shop over a period of time.

Where this is the case, in accordance with the terms of your agency agreement, the charity shop may decide it is in the best interest of the charity to sell these items in bulk to textile traders or recyclers. This is colloquially referred to as selling them for rag.

Rag sales are typically made in bulk and the price obtained will depend on the weight of goods sold rather than the particular items being sold.

REQUIREMENTS FOR GIFT AID TO BE CLAIMED

The requirements for Retail Gift Aid to be claimed on rag sales are the same as for any other type of Retail Gift Aid sale. These are discussed in detail in other modules of the training but in summary, you must obtain, or have previously obtained:

- A correctly completed Gift Aid declaration, and
- A signed agency agreement.

When the items are sold your charity will also need to be able to demonstrate when the donor's items were sold and the net proceeds received from them.

APPLYING THESE REQUIREMENTS TO RAG SALES

When items are sold individually in a shop it is a simple process to track each item, from donation to sale. This may, however, prove to be more complicated when the items are sold in bulk for rag.

Your shop must have a process for recording the items which are sold under the rag scheme and which are to form part of a Gift Aid claim.

The process for writing to donors and making Gift Aid claims will be the same as for 'normal' Retail Gift Aid sales and is as set out in Module 5A (Standard Method) and Module 5B (Methods A and B).

KEY AREAS TO NOTE

When including sales under rag, within a Gift Aid claim, you must be able to track each individual's donated goods within the bulk sale and assign the appropriate net sale proceeds to the correct donor. This would normally be done by recording the overall weight of a donor's items within the bulk sale then apportioning the proceeds in relation to weight.

For example, 4 individuals (A, B, C & D) donate clothing which is not suitable for resale in the shop but are sold on for rag. When the clothing is sorted it is weighed and recorded per individual then added to the bulk sale. Total rags sold amount to 12 kilos, A donates 2 kilos, B donates 3 kilos, C donates 4 kilos and D donates 3 kilos, overall net sale proceeds is £12.00, so the Gift aid claim would show that A had donated £2.00, B had donated £3.00, C had donated £4.00 and D had donated £2.00.

Once the net sales proceeds on rag has been established these should be recorded against the appropriate donor's record, and the correct procedures for writing to them under whichever method your shop uses. Dependent upon the systems you use your tills may be able to record the sales automatically, alternatively a manual process will have to be followed.

It is advisable to have separate bundles of Retail Gift Aid and non-Retail Gift Aid items for sale as rag to ensure no cross contamination of Gift Aided and non-Gift Aided rags.

MODULE 7 QUIZ

Questions

Q1. Which documents do you need to obtain to claim Retail Gift Aid on rag sales?

- a Only a Gift Aid declaration
- b Gift Aid declaration and agency agreement
- c Gift Aid declaration, agency agreement and rag sale declaration

Q2. Josh is a regular customer at your shop. He often brings in items which are very unfashionable and not suitable for sale. What should you do?

- a Tell Josh that you do not want him to bring in items anymore.
- b Keep accepting items and sell them for rag - you may be able to claim Gift Aid on these.
- c Keep accepting items and sell them for rag but you will never be able to claim Gift Aid on rag sales.

Q3. Do you need to tell customers if you plan to sell their items for rag instead of in the shop?

- a Yes, all donors must be aware of this.
- b No, you must never tell them as they may be offended.
- c No, you don't need to tell them but it's fine to let them know if they ask.

Q4. How can you tell which items sold for rag can be included in the Retail Gift Aid claim?

- a You must allocate the sales price of items sold as rag to each donor in the same way as for other sales.
- b The sales price for rag items is so low it's fine to assume that all proceeds for rag always relate to Retail Gift Aid items.

MODULE 7 QUIZ

Answers

Q1. Which documents do you need to obtain to claim Retail Gift Aid on rag sales?

- b** Gift Aid declaration and agency agreement.

Q2. Josh is a regular customer at your shop. He often brings in items which are very unfashionable and not suitable for sale. What should you do?

- b** Keep accepting items and sell them for rag - you may be able to claim Gift Aid on these.

Q3. Do you need to tell customers if you plan to sell their items for rag instead of in the shop?

- c** No, you don't need to tell them but it's fine to let them know if they ask.

Q4. How can you tell which items sold for rag can be included in the Retail Gift Aid claim?

- a** You must allocate the sales price of items sold as rag to each donor in the same way as for other sales.
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MODULE 8

Furniture and electrical sales

RECOMMENDED AUDIENCE

Shop managers

Furniture and electrical shop staff and volunteers

Furniture and electrical drivers/collection staff

Administrative staff

FURNITURE AND ELECTRICAL SALES

SUMMARY

It is possible to claim gift aid on sales of furniture and electrical items under the Retail Gift Aid scheme in the same way as sales of other goods.

The requirements of the Gift Aid scheme do not change; however, the methods for obtaining goods for furniture and electrical sales may be different which may result in some changes to the way the Retail Gift Aid scheme is operated by your charity on such items.

HOW DO FURNITURE AND ELECTRICAL SALES WORK?

Sales of furniture and electrical goods under the Retail Gift Aid scheme have the same requirements as for any other Retail Gift Aid scheme sales.

However, the way that your shop operates its furniture and electrical sales may be different. This is often for practical reasons, for example your shop may offer a collection service for large furniture items, so the process for obtaining valid Gift Aid declarations may be different from where individuals bring items into the shop for sale.

The processes for obtaining furniture and electrical stock, and for making sales of these items, will be different in each shop so you should make sure that you understand these for your charity. However, the key requirements of Gift Aid don't change, and these are discussed below in relation to a typical furniture and electrical process.

REQUIREMENTS FOR GIFT AID TO BE CLAIMED

The requirements for Retail Gift Aid to be claimed for furniture and electrical sales are the same as for any other type of Retail Gift Aid sale. These are discussed in detail in other modules of the training so you should ensure you have complete these modules, but in summary, you must obtain, or have previously obtained:

- A correctly completed Gift Aid declaration, and
- A signed agency agreement.

You must then be able to identify which items an individual has donated for sale and when these are sold you must record the net sale proceeds for each donor.

The main difference with furniture and electrical items is that often your donors will not bring these into the shop themselves but may ask you to collect them.

OPERATING THE SCHEME FOR FURNITURE AND ELECTRICAL SALES

When the donor calls to request a collection, you can discuss Gift Aid with them along with the details about the collection of their items.

If the donor wishes to participate with the scheme then you should confirm that:

- They own the goods they are donating, and
- That they are a UK taxpayer and should have paid sufficient tax to cover all donations they have/will make to any charity during the year.

You should obtain all the necessary information to complete a Gift Aid declaration and explain about the agency agreement. Normally a script would be provided for the Call handler detailing each step to follow. A typical scenario could be as follow:

Step one - Donor calls to arrange a collection of their item you mention Retail Gift Aid and the benefits to the charity, confirm that they are a UK taxpayer and ask them whether they would like their items to be sold in this way.

Step two - If they agree, you should talk them through the requirements Gift Aid declaration and the Agency agreement and obtain the relevant information required from them to complete the Gift Aid declaration. This would be classed as an oral declaration. Specific guidance on this can be found at Gov.UK Detailed Charity Guidance para 3.10.1 Oral Gift Aid declarations

Step three - Once you have completed the Gift Aid declaration and agency agreement with the individual's details you can pass these to the collection driver, together with the label/tag to be attached to the items collected.

Step four - When the collection driver goes to pick up the items, he/she can then pass the completed Gift Aid declaration and agency agreement documents to the donor and ask them to check them. He/she can also label/tag the items with the individual's unique label/tag so that the items do not get mixed up with other items from the same day's collections.

FURNITURE AND ELECTRICAL SALES

Alternatively, the collection drivers could carry blank Gift Aid declarations and agency agreement documents or, if available, an electronic tablet, and discuss the Retail Gift Aid scheme with donors at the time of collection. In this case, it is important that the collection drivers are suitably trained about the Retail Gift Aid scheme and understand the discussion they need to have with the individual at the time of collection.

Items must always be clearly marked at the time of the collection so that they can be linked to the correct donor if Gift Aid is to be applied.

UPCYCLING ITEMS

In some instances items of furniture may not, initially, be in a suitable condition for resale they may need to be cleaned such as a quick wipe over, vacuumed, given minor repairs etc but nothing too invasive and as such this would still come within the Gift Aid scheme.

Items requiring more attention or which are subjected to significant refurbishment or to any process which brings them into a different condition for sale purposes than that in which they were donated will not then qualify for Gift Aid, for example: a table that required a new leg and French polishing or painting would be classed as upcycling and as the original value of the item donated would have been increased substantially from when the item was originally donated.

If your charity is regularly involved in upcycling then it is recommended that you seek advice from HMRC as to the extent of the upcycling and the potential eligibility of the proceeds from the sale in relation to the Gift Aid scheme.

KEY POINTS TO REMEMBER

Retail Gift Aid on furniture and electrical items is very similar to other forms of Retail Gift Aid. However, there are some differences which may affect how this is operated.

Furniture and electrical items may be sold for significant amounts and as such it is of particular importance that each donor understands the requirement to have paid sufficient income tax and/or capital gains tax to cover the Gift Aid that will be claimed on the net sale proceeds donated.

Remember the amount of Gift Aid which can be claimed is 25% of the net sales proceeds of the items, and Council Tax and VAT do not count for these purposes.

The individual signing the agency agreement must be the beneficial owner of the items being donated.

MODULE 8 QUIZ

Questions

Q1. A donor brings some furniture to your shop and asks you to sell them under Retail Gift Aid. The net sales proceeds are £100. How much UK tax must they have paid to cover the gift aid claimed?

- a £20 - 20% of the donation.
- b £25 - 25% of the donation.
- c £50 - 50% of the donation.

Q2. You are asked to clear furniture from a house and to include all of these items in the Retail Gift Aid scheme. What should you be particularly aware of?

- a You should ensure that the individual signing the agency agreement and Gift Aid declaration is the beneficial owner of the items being collected.
- b You should check that all items being collected are worth at least £100.

Q3. Which documents should you obtain for sales of furniture and electrical items under Retail Gift Aid?

- a Only a Gift Aid declaration.
- b Gift Aid declaration and agency agreement.
- c Gift Aid declaration, agency agreement and a furniture/electrical sales declaration.

Q4. While you are pricing a wardrobe that has arrived at the shop from a house collection with a Retail Gift Aid tag, you notice there are a number of other items which arrived in the same delivery without Retail Gift Aid tags on them. What should you do?

- a Attach the same donor ID tags to all the items from that house collection - this will make more money for the charity.
- b Do not sell any of the items from that house collection under the Retail Gift Aid scheme as you can't be sure where they came from.
- c Only sell the items from that house collection that have been tagged under the Retail Gift Aid scheme.

MODULE 8 QUIZ

Answers

Q1. A donor brings some furniture to your shop and asks you to sell them under Retail Gift Aid. The net sales proceeds are £100. How much UK tax must they have paid to cover the gift aid claimed?

- c** £25 - 25% of the donation.

Q2. You are asked to clear furniture from a house and to include all of these items in the Retail Gift Aid scheme. What should you be particularly aware of?

- a** You should ensure that the individual signing the agency agreement and Gift Aid declaration is the beneficial owner of the items being collected.

Q3. Which documents should you obtain for sales of furniture and electrical items under Retail Gift Aid?

- b** Gift Aid declaration and agency agreement.

Q4. While you are pricing a wardrobe that has arrived at the shop from a house collection with a Retail Gift Aid tag, you notice there are a number of other items which arrived in the same delivery without Retail Gift Aid tags on them. What should you do?

- c** Only sell the items from that house collection that have been tagged under the Retail Gift Aid scheme.

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