

Gift aid is a way for charities to increase the value of monetary gifts from UK tax payers by claiming back the basic rate of tax paid by the donor. Strictly speaking, membership subscriptions are not gifts; they are made to gain access to the facilities and services provided by the charity. However, HMRC is prepared to treat them as gifts providing the payments do no more than secure membership of the charity and that they do not secure a right to benefit which exceeds in value 25% of the 'donation'. U3As which are set up with a relatively small fee which gives membership and in some cases a monthly meeting, with all interest groups incurring a charge, fit very nicely into the above criteria. U3As with one fee giving access to everything with no additional payments are not so clear cut. The application of gift aid as far as it affects U3As, seems to be at best confusing and at worst inconsistent.

So, for your peace of mind and that of future trustees, I suggest you proceed cautiously and follow the procedure laid down here.

BEFORE YOU START CONSIDER WHETHER

1. You have more reserves than you could comfortably defend. If so you should consider delaying any action on gift aid until you have plans in place to reduce your reserves to an acceptable level.
2. You are confident that you have a reasonable number of members who are both able and willing to sign up. If you don't already have a section on your membership form which asks the question, a mention in your newsletter asking for those willing to gift aid to let you know, will establish the popularity of such a scheme.

CHARITY REGISTRATION

1. If your income exceeds £5,000 you are required to register with the Charity Commission and will not be considered for gift aid until you have done so.
2. You must complete a ChA1 form from HMRC, a copy of which is attached for your information, so that you are recognised by HMRC as a charity for tax purposes. You are required to download it, save it on your computer, fill it in on the screen and then print it, sign and date it. On this form you should nominate your authorised official, who will be the one to make your gift aid claims. Please note you do not have to wait until your first AGM to apply.

SAFE PROCEDURE TO FOLLOW

1. Write a letter to HMRC Charity Division, St John's House, Merton Road, Bootle, L75 1BB and provide the following information :-
 - Your objectives as an educational charity
 - Your membership fee and everything included in that fee
 - Anything which incurs an extra payment e.g. a monthly meeting with a speaker.Err on the side of providing too much information.
2. Ask HMRC whether on the basis of the above, it can confirm in writing whether you qualify to gift aid your subscriptions and if so, whether you should deduct the membership fee you pay to the National Organisation.

IF SUCCESSFUL

1. Keep the letter from HMRC safe – suggest you have a few copies.
2. Get all your trustees to fill in a Fit & Proper Persons Declaration which should be held on file (copy attached).
3. Obtain a Gift aid Declaration from all your tax paying donors (copy attached). In the case of joint membership, when only one is a tax payer, it is acceptable for that person to claim gift aid on the full amount providing the payment does not come from the non tax payer's account.
4. Fill in a separate R68 Gift aid Schedule for each accounting period and a R68 Claim Form (www.hmrc.gov.uk/charities).
5. Keep copies of all the forms you submit and ensure safe storage of your Gift Aid Declarations, which have to be available for review if required by HMRC. If you can scan and store them electronically as well, it is advisable.