



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

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Dear Peter,

Thank you for your letter of 13 October enclosing your report on Gift Aid.

The Gift Aid Forum met on 30 November when I outlined my initial response to your report, but I wanted to write to record my thanks more formally and also to set out my initial response to your recommendations in a way that can be shared more widely with interested parties.

I am very grateful for all the work you have put into producing this very clear and constructive report. I am also appreciative of the positive contributions to discussions and input to the report from members of the Gift Aid Forum.

I am pleased that the report recognises the success of Gift Aid. It is very valuable to charities and I agree it is important to celebrate its success and build on it.

There is much in your report that can be taken forward and I am keen to ensure progress is made. HMRC will be setting up a Charity Tax Forum which will have a wider membership than the Gift Aid Forum and consider wider issues, including VAT, but will have a useful role in progressing some of the recommendations made in your report.

#### **Simplification and administrative improvements**

HMRC will move quickly on a number of recommendations where guidance could be improved or clarified. This is the case with for example, oral declarations, split payments and sponsored events.

There are potentially considerable benefits for charities and HMRC from online filing of Gift Aid claims. I am keen to establish whether this offers real value for money. As I indicated at the meeting, it would take at least 18 months to develop such a system and HMRC will need to consider this against its other competing priorities. HMRC is

exploring the viability of offering this facility and will engage on this with you through the HMRC Charity Tax Forum.

There is strong support for a Gift Aid database which would have real advantages for charities. While HMRC is unable to fund the creation of a database it will be able to work with the sector to ensure any database created meets the legislative and audit requirements. I understand the Charity Tax Group is already exploring the development of a database.

HMRC are developing some 'intelligent forms' for charities which will be launched in the New Year. Whilst not online filing these do bring many benefits for charities by helping them make accurate claims whilst preventing many common errors from being made.

As technology moves on, the sector has demonstrated the ability to use new mechanisms for giving and I would urge charity representatives to make sure HMRC are kept informed of innovations so they can advise on how to ensure Gift Aid can apply. There is clearly considerable potential here to harness the internet and mobile phone technology to deliver new ways of giving from a new generation of donors.

There are some recommendations which I am not able to agree to take forward. One is the proposal that Gift Aid should apply to money equivalents such as donated goods and donated expenses. This would move Gift Aid away from being a relief for donations of cash and add considerable complexity to the system, particularly in relation to valuation and the need to prevent fraud.

You also propose that couples should be able to claim Gift Aid when only one of them donates on behalf of the couple. However, this would sever the link between the individual donor and the tax he or she has paid which is an important element to ensure Gift Aid is classified as a tax relief, rather than expenditure.

I do not propose to bring Payroll Giving within Gift Aid. Payroll Giving is a quite separate scheme which gives all tax relief to the donor and which many employers operate extremely successfully. I would like to maintain the variety in giving mechanisms. However, I would like to examine Payroll Giving to see if there are ways to improve its operation and encourage take up.

#### **Higher rate relief redirection**

You have suggested that any work programme 'should also give priority to proposals for enabling higher rate taxpayers to redirect the relief on their donations to charities'. I have asked HMRC to take this forward as part of its work with the HMRC Charity Tax Forum.

#### **Transitional relief**



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Your report did not recommend extending transitional relief which is due to end in April 2011. However, a number of representative bodies have called for it to be extended beyond that date. I confirmed at the meeting that I do not intend to do that. Transitional relief was introduced to address a particular problem resulting from the change in the basic rate of tax and was always intended to be temporary. I recognise that many charities are finding it hard in the current climate but I don't think that extending transitional relief targets support effectively. At the Spending Review the Chancellor announced help to the voluntary sector through the £100m Transition Fund. We believe this initiative will better target those charities in most need.

#### Promotion of Gift Aid

We had a useful discussion on Tuesday about the promotion of Gift Aid to both donors and charities. There is a job to be done both to raise awareness of Gift Aid, particularly among donors, and to improve the knowledge and capability of charities. There were many positive suggestions from Forum members round the table and I want to give some thought to how we can harness some of those.

You are right to focus on the idea of getting those who find Gift Aid easy to help those who don't. I am particularly interested in your proposal to explore how tax professionals might donate skills and time to help charities benefit from Gift Aid and we should discuss further how best I can help encourage firms to become involved.

Thank you once again for your work on the report. I think the work of the Forum has been useful in identifying the concerns and priorities for different parts of the charity sector and your report will help move us to the next stage to ensure that improvements are made that will genuinely benefit charities.

*Best Wishes,*

A handwritten signature in cursive script, reading 'Justine', followed by a long horizontal flourish line.

JUSTINE GREENING

