

Retail Gift Aid Scheme Policy

Policy Name	Retail Gift Aid Scheme Policy
Executive Owner	Director of Retail
Approval body	ELT
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Policy Statement

This statement sets out the rules of the Retail Gift Aid Scheme, as set by HMRC, and details how Fight for Sight operates the scheme, including the provision of training.

HMRC guidelines on Retail Gift Aid

The rules under which Gift Aid operates state that it can only be claimed on donations of money. In order to apply the scheme to donated items, Gift Aid can only be claimed once the donated goods have been sold.

The Charity, therefore, must act as an “Agent” for the donor, effectively selling the goods on their behalf. The donor of the goods then agrees to donate those proceeds to the charity.

As Gift Aid is a personal tax relief, we cannot claim Gift Aid on donations from businesses.

Donors must be UK taxpayers AND have paid enough tax in the relevant tax year to cover the Gift Aid claim.

The donor must own the goods they are donating, so if they are donating goods on behalf of someone else, then Gift Aid cannot be claimed.

Staff cannot be financially rewarded for achieving Gift Aid set targets.

Procedure - Shops

If it is the first time a donor has made a Gift Aid donation, they must sign an “Agency Agreement”, allowing Fight for Sight to sell the goods on their behalf.

This Agreement should be combined with the Gift Aid Declaration that the donor must sign.

Commission (at 2%) is charged on each sale. VAT is payable on commission and the Gift Aid claim is on the value of the sale less the commission charge.

The detailed process for setting up a new donor is set out in the Training Course (see Appendix to this policy).

Fight For Sight uses an Electronic Point of Sale system (EPoS), which allows us to electronically capture the full details of the donor required by Gift Aid rules.

Once a new donor is set up, they will be allocated a donor ID number.

All donations are therefore bagged and labelled with the donor’s ID number.

Individual shops process their own Gift Aid donations, and the excess is then collected and sent to the warehouse for processing. Donations that are to be Gift Aided have a yellow ticket attached which shows they are being sold under the Gift Aid scheme.

Each shop must display signage stating that we are operating a Retail Gift Aid Scheme.

All agency and declaration forms are stored electronically within our EPoS system.

Once per month the Director of Retail (DoR) reviews the currently database to ensure there is a form attached to each donor. Any donors found without an agreement are marked as not eligible for Gift Aid and any sales made removed from any future claims.

Procedure – back office

There are three methods for Retail Gift Aid. Fight For Sight operates “Method A”

Method A allows us to claim Gift Aid on the first £100 of sales proceeds without the need to write to the donor.

If goods are sold in excess of this limit, then we write to the donor, asking if they want to donate sale proceeds in excess of the limit.

At the end of the tax year, we write to each donor and let them know how much has been raised from the sale of their goods during the year. (Or every three years, where the donated goods raise less than £20 per year). We use HMRC approved wording for this letter.

Letters are sent by email where possible, although if the email “bounces” back, it will be followed up with a postal letter.

VAT

When calculating the value of the sale for Gift Aid purposes, a “commission” must be deducted, as the shop is acting as an agent for the donor. This commission is then VATable income and is accounted for in the VAT return. The purpose of this is to stop these “agency” sales being seen as “non-business” activity by HMRC, and thus limiting the amount of input VAT that can be reclaimed.

Training

All staff and volunteers who introduce the scheme are trained in the Retail Gift Aid process.

This training is facilitated by the eProductive Gift Aid training package.

Staff and Volunteers complete on-line courses via the eProductive portal, and all training logs are stored here.

[GATP v5408 \(eproductive.com\)](https://eproductive.com/GATP_v5408)

APPENDIX – TRAINING COURSE

What is Gift Aid and why is it important?

When a donor makes a charitable donation, the charity can reclaim some of the tax the donor has paid. The amount that can be claimed is 25% of the amount of each donation.

If the donor is a higher rate taxpayer, they can also claim tax relief in respect of the donation.

Gift Aid is an important source of income for charities. However, because the charity is reclaiming tax from HMRC, there are a number of conditions which need to be met.

In many ways, when Gift Aid is applied to donations of goods rather than money, it is even more complex. Every individual who is involved with the operation of a charity shop that uses Retail Gift Aid must therefore be familiar with the scheme.

If HMRC finds out that your charity has not been running the Retail Gift Aid Scheme properly then it will make the charity not only pay back the Gift Aid that has been claimed incorrectly, but will also charge interest, and may also charge penalties. The penalty could be up to 100% of the tax repaid.

There are lots of reasons why charities can get Retail Gift Aid wrong. Sometimes it is 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 process has a responsibility to make sure that they understand their role and to carry it out correctly.

How does the scheme work?

Gift Aid can ONLY be claimed on donations of money.

Usually, when a donor brings items to the shop for sale, they donate

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, by making the charity an agent that is selling goods on behalf of the donor.

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.

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.

Typical steps for Retail Gift Aid?

STEP ONE

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 TWO

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.

STEP THREE

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

STEP FOUR

The charity can claim Gift Aid on the first £100 of sale proceeds without the need to write to the donor.

If goods are sold in excess of this, 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 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.

The Fight for Sight Process

DEALING WITH DONORS

The conversation with the donor which takes place when they visit the shop to donate 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.

Whenever a donor brings items to donate, you should ask them whether they would like to donate the items under the Retail Gift Aid Scheme. Emphasise that the charity can receive an extra 25% on the value of the goods sold from HMRC.

If they say yes, then ask them if they are a UK taxpayer and explain that they will need to pay enough tax to cover the Gift Aid that will be claimed. Tell the donor that they will be liable if HMRC discovers that they have not paid sufficient tax to cover the Gift Aid claimed on their donations.

Explain to them that Fight for Sight will automatically claim Gift Aid on the first part of the sale proceeds (the agency agreement will also make this clear).

Ask the donor to complete the Gift Aid Declaration and Agency Forms, using the tablet, with the following details being recorded:

MANDATORY DETAILS

Title, forename, surname

Full home address

Postcode

OPTIONAL DETAILS

email address

Telephone number

Option to hear more about the work of Fight for Sight

Once the donor has provided this information they are asked to sign to signal their agreement on the tablet. The completed form is then electronically transferred to the EPOS and stored with an individual donor ID and a copy emailed.

The donor is given details of their donor ID. For future donations, the donor can be found searching by name, address or postcode.

Label the donor's bags with their donor ID.

The donor information is automatically captured and stored in our electronic Gift Aid system.

Explain to the donor that they will receive a letter/ email at least once per year to tell them how much their goods have raised. Explain that this is required by HMRC.

If the Donor does not wish to complete the form at this time, then the goods cannot be Gift Aided. Please give the customer a leaflet which explains more about the scheme.

If the donor is already signed up, simply ask for their donor ID, name, address or postcode to enable you to label their bags with their donor ID. 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.

PROCESSING STOCK

It is very important to keep Gift Aided donations separate to ensure that the donations are attributed to the correct donor.

Donations should be sorted into product type and non-sellable separated for ragging or disposal. The donor bar code is then scanned, and individual stock items created by category.

The QR codes produced are specific to each item and can only be sold once.

Excess stock can be collected and taken to the warehouse for processing and allocation to other shops.

CONTACTING THE DONOR

Emails are automatically generated by the EPoS system, in line with HMRC requirements. If we do not have a valid email address on file, then a letter will be automatically generated by the system.

QUIZ

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. Anyone who is a UK taxpayer

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, Gift Aid Declaration, and ownership statement
- D. Agency Agreement and Gift Aid Declaration

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

D. Agency Agreement and Gift Aid Declaration

Q5 Whose responsibility is it to get Gift Aid right?

A. The Chief Executive of the charity

B. The Head of Fundraising

C. The Shop Manager

D. Everyone who is involved in the Gift Aid Process

Q6 Which of the following statements is true?

A. We should discuss Retail Gift Aid with every person who brings in goods for sale

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 anyway because it will make more money for the charity

Q7 A regular donor comes in with a bag of clothes and hands you her Donor ID card. Whilst you are processing the bag she mentions that she is annoyed that her neighbour keeps giving her items to bring in for her. 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 she does not 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

Q8 A new donor completes a Gift Aid declaration but says 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