EXPLANATORY MEMORANDUM TO

THE SMALL CHARITABLE DONATIONS ACT (AMENDMENT) ORDER 2015

2015 No. [XXXX]

1. This explanatory memorandum has been prepared by Her Majesty's Revenue and Customs and is laid before the House of Commons by Command of Her Majesty.

2. Purpose of the instrument

2.1 The purpose of this instrument is to increase the maximum amount of small donations on which a charity may claim a top-up payment for a tax year (referred to as the 'specified amount') for the Gift Aid Small Donations Scheme (GASDS). This will increase from £5,000 to £8,000 with effect from 6 April 2016. Qualifying charities and Community Amateur Sports Clubs (CASCs) will be able to claim top-up payments, similar to Gift Aid, on up to £8,000 of small cash donations they receive in a tax year.

3. Matters of special interest to the Select Committee on Statutory Instruments

None.

4. Legislative Context

4.1 On 18 March 2015, the Government announced at Budget that the specified amount for the GASDS would be increased from £5,000 to £8,000 with effect from 6 April 2016.

4.2 The Small Charitable Donations Act 2012 came into force on 6 April 2013 introducing a new scheme to enable charities and CASCs to claim a Gift Aid style payment on small cash donations up to £20 in circumstances where it is often difficult to obtain a Gift Aid declaration. The 'specified amount' for a tax year is currently set at £5,000 (section 1(6) of the Small Charitable Donations Act 2012) which means that eligible charities and CASCs are able to claim top-up payments on up to £5,000 of small donations each year.

4.3 This instrument is the first use of the power at section 14 of the Small Charitable Donations Act 2012, which allows the Treasury to amend the monetary amount specified at:

- Section 1 subsection (6)
- Section 4 subsection (3)(a)
- Section 6 subsection (3) (b) and (4) (b), and
- Section 9 subsection (4) (b).

4.4 This Order increases the 'specified amount' set out in the sections listed above from £5,000 to £8,000.

5. Territorial Extent and Application

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

The Exchequer Secretary of the Treasury has made the following statement regarding Human Rights:

In my view the provisions of the Small Charitable Donations Act (Amendment) Order 2015 are compatible with the Convention rights.

7. Policy background

7.1 The GASDS allows qualifying charities and CASCs to claim a Gift Aid style top-up payment on small cash donations of up to £20 that are received in circumstances where it would be unduly burdensome or difficult to obtain Gift Aid declarations, for example bucket collections.

7.2 The top-up payments are funded through public spending and are targeted mainly at small charities that depend upon public donations to help fund their charitable activities.

7.3 Charities and CASCs must meet certain conditions in order to qualify to claim under the GASDS. In particular, organisations must maintain a compliant track record in claiming Gift Aid on qualifying donations.

7.4 The maximum amount of small donations on which top-up payments can be claimed in a tax year is currently set at £5,000. This means charities and CASCs may, in general, claim up to £1,250 in payments a year.

7.5 Increasing the maximum donation limit to £8,000 will provide more financial support to charities and CASCs, enabling them to claim up to £2,000 a year from 6 April 2016.

8. Consultation outcome

8.1 No consultation has been undertaken in respect of this instrument as this Order simply increases the maximum donation level to £8,000.

9. Guidance

9.1 HMRC's guidance on the Gift Aid Small Donations Scheme will be amended to reflect the changes made by this Order.

10. Impact

10.1 The impact on business and most voluntary bodies is expected to be nil. Qualifying charities and CASCs that collect more than £8,000 in small cash donations will be able to claim extra income but they will not need to keep any extra records beyond those they are currently required to keep.

10.2 The impact on the public sector is minor. HMRC may incur some costs to update the IT system.

10.3 No Impact Assessment has been prepared for this instrument as the original Impact Assessment remains an accurate summary. This can be found at http://webarchive.nationalarchives.gov.uk/*/http:/www.hmrc.gov.uk/ria/ia-final-giftaid-don.pdf (then click on link dated Dec 04 2012).

11. Regulating small business

11.1 The legislation does not apply to small business.

12. Monitoring & review

12.1 This Order will be reviewed in line with the planned review of the legislation 3 years after the commencement of the scheme.

13. Contact

Savita Patel at HMRC Tel: 03000 585152 or email savita.patel@hmrc.gsi.gov.uk can answer any queries regarding the instrument.