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From: Nelson McCausland
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Social Development Committee

SMALL CHARITABLE DONATIONS BILL 2012

Introduction

1. The purpose of this paper is to advise the Committee about the UK Government's proposals to introduce a Small Charitable Donations Bill at Westminster that will provide for a Gift Aid Small Donations Scheme (GASDS).
2. The GASDS makes provision for qualifying charities and Community Amateur Sports Clubs (CASCs) to be able to claim a top-up payment, equivalent to Gift Aid, of up to £1,250 per annum on small cash donations.

Summary of the Bill and its policy objectives

3. The policy objective of the Bill is linked to the UK Government's Big Society agenda and is to encourage charitable giving and build a more socially conscious society. The Chancellor announced at Budget 2011 that GASDS would be introduced in 2013 and it was included in the Queen's speech at the State Opening of Parliament on 9 May 2012.
4. Subject to any issues that emerge from public consultation, the Scheme will set an annual £5,000 limit per organisation on donations eligible for the top-up payment (equating to a maximum GASDS payment of £1,250 per annum). It will only apply to small donations of £20 or less and will be open to organisations that have a good track record of claiming Gift Aid for at least three tax years.



INVESTORS
IN PEOPLE

5. Again subject to consultation, the basic rules will be that:

- a charity must have been a charity for UK tax purposes, and a CASC must have been registered with HM Revenue & Customs (HMRC) as a CASC, for at least three consecutive tax years; and
- the charity or CASC must have made a successful Gift Aid claim in at least three out of the previous seven tax years; and
- there must be no more than two consecutive tax years in which no Gift Aid claim was made; and
- the charity or CASC must not have incurred a penalty in respect of a Gift Aid claim or a GASDS claim made in the tax year in which the donations are received or in the 2 previous years.

Provisions which deal with a Devolution Matter

6. Whilst this Scheme will be administered by HMRC, it cannot be treated as a tax relief under normal Gift Aid arrangements. This is due to the fact that, for small donations of £20 or less, there is normally no recorded link between the charity, the donor and their tax affairs. Any payments made to charities under the Scheme will be regarded as grant payments and it is, therefore, a transferred matter. Consent is required from the Northern Ireland Assembly, and other devolved regions, to include transferred provisions within the Westminster Bill.

Reasons for making the Provisions

7. HM Treasury wishes to apply the GASDS across the UK and, therefore, is seeking approval to include provisions relating to Northern Ireland in the Westminster Bill. This will ensure that eligible local charities can make claims and avail of payments from HMRC in the same way as other charities across the UK.

Reasons for utilising the Bill rather than an Act of the Assembly

8. As this Scheme will be introduced across the UK, HM Treasury is content to legislate for this within the provisions of the Westminster Bill. It is also important that the Scheme is applied in a consistent manner across all administrations and, as it will be administered by HMRC, there is no scope to introduce regional variations. The Bill will also contain provisions to make the GASDS an excepted matter under Schedule 2 to the Northern Ireland Act 1998. A similar approach was taken with the Child Trust Funds Act 2004 and the Saving Gateway Accounts Act 2009.

Consultation

9. HMRC launched a UK-wide 9 week public consultation on 27 March 2012. The closing date for responses was 25 May 2012. The Department encouraged the Charity Commission for Northern Ireland and NICVA to publicise details of the consultation through their respective networks. NICVA has prepared a response on behalf of Northern Ireland charities.

10. UK Government officials have also been working with key charity representatives to develop the proposals, on a confidential basis, since August 2011.

Human Rights and Equality

11. This measure applies to all charities and CASCs that claim, or may claim, Gift Aid repayments from HMRC.

Financial Implications

12. For donations of £20 or less, charities will be able to claim back 25p for every £1 collected in the UK, up to a limit of £5,000 (equating to a maximum GASDS payment of £1,250 per annum).

Summary of Regulatory Impact

13. This Scheme will be administered by HMRC in line with the normal Gift Aid Scheme and there will be no regulatory impact on charities.

Next Steps & Timing Issues

14. HM Treasury intends to seek agreement for introduction of the Small Charitable Donations Bill to the House of Commons in week commencing 18 June 2012. In advance of this, it is my intention to seek Executive approval for a Legislative Consent Memorandum (LCM) to be laid before the Northern Ireland Assembly within 10 days of the Bill being introduced to Parliament and to agree that the Scheme is made an excepted matter under Schedule 2 to the Northern Ireland Act 1998. Officials will work with the Office of the Legislative Counsel (OLC) to prepare the LCM and, subject to approval, I intend to lay this in the Assembly before the summer recess.
15. The Department will keep the Committee fully updated on any developments and a copy of the LCM will be forwarded when available. Departmental officials are available to brief the Committee if required.

Recommendation

16. The Committee is asked to note the content of the briefing and the proposal to include transferred provisions within the Small Charitable Donations Bill at Westminster.

Yours sincerely

Nelson McCausland

NELSON McCAUSLAND MLA
Minister for Social Development