



Northern Ireland
Assembly

Committee for Social Development

OFFICIAL REPORT (Hansard)

Small Charitable Donations Bill: Legislative
Consent Motion

6 September 2012

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Alex Maskey (Chairperson)
Mr Mickey Brady (Deputy Chairperson)
Ms Paula Bradley
Ms Pam Brown
Mrs Judith Cochrane
Mr Mark Durkan
Mr Alex Easton
Mr Fra McCann
Mr David McClarty

Witnesses:

Mr Roy McGivern	Department for Social Development
Ms Andrea Watson	Department for Social Development

The Chairperson: I invite Roy McGivern and Andrea Watson from the Department for Social Development (DSD) to the Committee this morning. You are both very welcome. I remind members that they have the paper from the Department, a copy of the legislative consent motion memorandum, correspondence from the Minister and the Northern Ireland Council for Voluntary Action (NICVA) response to the consultation on the gift aid small donations scheme. Without any further ado, Roy and Andrea, I hand over to you.

Mr Roy McGivern (Department for Social Development): Thank you, Chair, for the opportunity to brief the Committee this morning on the Small Charitable Donations Bill at Westminster and the proposed new gift aid small donations scheme. Most members should be familiar with the current gift aid scheme administered by HM Revenue and Customs (HMRC). It brings in around £1 billion per year in tax relief for charities across the UK. All those claims are based on personal declarations by a donor. The Government have recognised that many small donations for which there is no such declaration by a donor are not covered under the current gift aid scheme, thus depriving charities here and across the UK of much-needed income each year. The key difference in the proposed new small donations scheme is that charities will be able to claim tax relief on small donations of £20 or less without any need to record details of who the donor is. It is estimated that this could bring in around £100 million in extra revenue per year for charities across the UK. The new scheme will be administered by HMRC in the same way as the gift aid scheme is, but it cannot be treated as a tax relief because of the absence of that formal link between an individual donor and the charity that makes the claim. Any payments under this scheme will, therefore, be treated as grant income, which makes the scheme a devolved matter, not a tax matter.

During the past year, we have liaised quite closely with HMRC and the Treasury during the policy development and legislative process. Our main aim is to ensure that charities in Northern Ireland are in a position to benefit from the new scheme when it comes into place in April 2013. However, we also recognise that it is important that any new scheme be applied consistently across the UK. The Treasury has insisted to us that there will be no regional variations of the scheme as it will be funded and administered centrally by HMRC with no cost to the Northern Ireland block grant. It has also requested that the scheme be made an excepted matter under schedule 2 to the Northern Ireland Act 1998. That has been agreed by the Minister and the Executive.

Where Westminster legislation deals with any devolved matter, the approval of the Executive and the Northern Ireland Assembly is, of course, required. On 14 June this year, the Executive agreed that a Small Charitable Donations Bill and the proposed new scheme should extend to Northern Ireland, but that the subject matter of the Bill should be made an excepted matter, and that Assembly agreement should be sought by laying a legislative consent memorandum and tabling a motion on that in due course. This was laid before the Assembly on 29 June, and I think copies have been provided to members of the Committee. It is anticipated that a motion will be tabled for debate in the Assembly before the Westminster Bill reaches its final amending stage in the Commons. The Bill passed its Second Reading at Westminster on Tuesday and has been referred to the relevant Committee there for consideration. That Committee Stage is due to be completed by the end of October this year.

We are aware that Northern Ireland charities broadly support the principles behind the new scheme and welcome the fact that they are able to claim extra income from Revenue and Customs. It is clear, however, that there are some concerns around the complexity of the scheme. It is probably fair to say that there is limited scope for us to change that. This is not any kind of means to try to reform the whole gift aid scheme, but I think the Treasury and HMRC have made some changes as part of their public consultation, and have made some changes to the Bill. That includes a reduction in the level of matching between gift aid claims and claims on small donations, which was previously done on a pound-for-pound basis, but is now 2:1 in favour of small donations.

It is important to say that the fundamental issue for any tax relief scheme is that proper control measures have to be in place to prevent any fraudulent claims. HMRC is, therefore, striving to try to achieve a balance between accountability in the processing of these claims and the requirements of very small charities that may wish to benefit from this new scheme. They can claim up to £1,250 a year in extra income.

In closing, Chair, I seek the Committee's support for the proposal to extend the scheme to Northern Ireland and to make this an excepted matter under the Northern Ireland Act. Of course, we are open to questions from Committee members on the details.

The Chairperson: Thank you, Roy. I will ask some questions before I open it to other members. When you refer to charities, I presume you mean registered charities. That will begin with the new Charities Bill, is that right? Are there any other linkages between the Charities Bill and this?

Mr McGivern: It includes all charities that are registered with HMRC for tax purposes. There are around 6,000 of those in Northern Ireland.

The Chairperson: OK. Do any other members want to ask any questions?

Mr Durkan: Currently, there are around 6,000 charities registered with HMRC. However, in the wake of the Charities Bill, while there may be new registrations, one assumes that some of the current ones will be deregistered. Will they lose entitlement automatically?

Mr McGivern: Once the public benefit provisions here are changed under the new Charities Bill, our Charity Commission will start a registration process sometime in 2013. It is possible that it could decide that a charity does not meet the charity test here in Northern Ireland. We do not anticipate that there will be vast numbers of such charities, indeed, there have not been any deregistered in other parts of the UK, but if that was the case, a charity would lose its tax relief benefits if it is not registered with the regulator here.

The Chairperson: I note that you said that eligibility for the scheme would be restricted to charities, and so on, that have been able to claim for the past three years. Why would that be?

Ms Andrea Watson (Department for Social Development): The scheme is connected to that. A charity must have registered with HMRC and made three years of gift aid claims to be able to apply under this scheme. Although the schemes are not connected, they are linked in that eligibility criterion, so a charity will need to have made three gift aid claims over a seven-year period before it can apply to this new scheme. The charitable sector has raised some concerns that a new charity or one that has not been claiming gift aid will have to go through that three-year process before it can avail itself of this scheme. That is one of the issues that the Westminster Committee will look at.

Mr McGivern: I think that HMRC has said that it wants to ensure that a charity that makes a claim under the new scheme has a track record in claiming gift aid. That is to try to prevent fraudulent claims from someone who may never before have claimed gift aid because they have no formal link with any donor, but perhaps see this as an opportunity to claim money from Revenue and Customs without any track record in that field.

The Chairperson: Would that create a chicken-and-egg situation? How do you get on?

Mr McGivern: We would encourage any Northern Ireland charity, through organisations such as NICVA, to avail themselves of the gift aid scheme. It is a fairly simplified process, and help is available for charities here, even very small ones, who want to get onto that scheme. Obviously, you have to be registered for that scheme first before you can avail yourself of this new small donation scheme. During the Westminster Committee Stage, further representations may be made and that three-year qualifying period could be relaxed, perhaps to one year.

The Chairperson: OK. Michael, were you looking in there?

Mr Brady: No.

The Chairperson: OK. No other members want to intervene, so I thank you, Roy and Andrea, for your help this morning.