

Cancer Research UK response to Gift Aid and digital giving consultation September 2013

Introduction

We welcome the opportunity to respond to this consultation. Cancer Research UK's income from Gift Aid was £27.6 million in 2012-13. This is a significant income stream, and is broadly equivalent to our research spend in the South East of England last year (not including London), which includes the world class Southampton Cancer Research Centre.

The Gift Aid scheme is a great success. But there is more to do to ensure that we can maximise its value in a changing fundraising environment. As donation methods are changing so quickly, it is important that any changes made to the Gift Aid scheme as a result of this consultation are 'future-proofed' as much as possible.

We:

- Recommend that the Government conducts research among donors to refine proposals;
- Recommend that the timetable for legislative change is reviewed to ensure sufficient time for change;
- Would welcome a simpler Gift Aid declaration;
- Have concerns about increased complexity with two track Gift Aid declarations and
- Support in principle a Universal Gift Aid Declaration Database, but have questions about its implementation.

Chapter 1: Introduction

1. Are there any general points about Gift Aid that you would like to raise with Government?

Gift Aid works best when it is simple. The application of the scheme and complexities involved with it can be a barrier to both donors and charities maximising Gift Aid income. We greatly value the Government's work to simplify it. For example, we believe that HMRC's recent changes to the Retail Gift Aid scheme will save Cancer Research UK around £200,000 a year in administrative costs, and will stop donors receiving unwanted letters. £200,000 could pay for, for example, over two years of a large clinical trial looking at a way of giving patients a more precisely targeted radiotherapy for breast cancer.

An option not covered specifically in this consultation is the idea of linking charity bank accounts with Gift Aid. There are many ways that this could work. For example, donors could sign up to Gift Aid directly with banks. Declarations could be held centrally and any money leaving the account to a charity would have a Gift Aid code, meaning that the charity would be informed through the payment that the donor was a Gift Aid donor. This warrants further consideration.

2. Beyond digital giving, what other barriers to take-up of Gift Aid do charities experience?

Donor fatigue is an important factor to consider. In our experience, particularly in our retail stores, donors having to complete multiple Gift Aid declarations for more than one organisation is a barrier. This can affect staff promotion of the scheme, as they feel a negative response may be received if they ask.

In the experience of Cancer Research UK (and supported by others in the sector such as Nick Aldridge¹), donors can be reluctant to sign declarations that mention tax. The more reference there is to HMRC, the less likely they are to sign. The wording of the Gift Aid declaration is too complex – we are pleased that this consultation seeks to address this.

3. Do you think a phased implementation of the changes to Gift Aid proposed in this consultation document would be the best way to proceed?

Yes. Some changes may also be needed beyond the Finance Bill 2015. We welcome the open communication from HM Treasury, and hope this approach will continue.

4. What new promotional materials – leaflets, website materials and other products – could the Government usefully provide to help increase take-up of Gift Aid?

It would be extremely beneficial if donor research was conducted to establish what donors would find helpful.

Our view, based on our experience, is that the Government could help support the promotion of Gift Aid by providing more taxpayer facing materials and resources, both personalised and generic.

Options include:

- A generic leaflet included with tax code notifications sent to taxpayers explaining and encouraging use of Gift Aid.
- Personalised content within tax code letters providing details on the amount of donations the taxpayer could make before a penalty is incurred.
- HMRC should consider making The Charities Helpdesk available outside of normal office hours, recognising that many charities are staffed by volunteers who also have full time jobs. The helpdesk should also provide potential donors with clear guidance on the level of tax they need to pay to make certain levels of donations under Gift Aid.
- A Gift Aid calculator on the HMRC website into which you can enter your tax code and income and view an estimate on the level of donations you can give under Gift Aid.
- Simple user guides for small charities to promote adoption of the scheme.
- An easy to use website for donors and charities, with simple, accessible information and searchable frequently asked questions.

We also wonder whether Government, in partnership with charities, could explore raising Gift Aid awareness more widely. For example, through a broader Gift Aid awareness campaign.

5. What should these materials contain to be most helpful in encouraging donors and charities to use Gift Aid?

Research should be conducted with donors with donors on what they would find helpful, and how they assess the materials that are sent to them.

Based on our experience, we think that materials should contain a simple description of how the Gift Aid scheme works, with positive messages on how it benefits charities. In our experience with donors, the current mandatory statements and messaging are not positively perceived. There needs

¹ <http://www.thirdsector.co.uk/Finance/article/1211082/proposed-changes-gift-aid-declaration-are-bureaucratic-simplified/>

to be a reassurance that the scheme is positive for charities and donors, without undue emphasis on risks. Any helpdesk that taxpayers can use to ask questions should be more widely publicised.

6. Might rebranding Gift Aid help increase take-up? How?

The Government should speak to focus groups of taxpayers, asking them how they think the Government and charities can increase Gift Aid take up, and whether re-branding is necessary.

From our experience with donors, we do not believe that re-branding Gift Aid is required. A refreshed communications strategy would seem more feasible, less costly, and could build on the brand awareness that Gift Aid already has.

7. How can the Government work with the charity sector and its representatives to disseminate promotional material on Gift Aid?

We welcome the commitment made in the consultation document to engage with the sector. Partnership in this area is likely to give the greatest chance of success.

If the Government is producing materials it should make them available to charities to use too.

All Government departments should be encouraged to promote Gift Aid where appropriate. In particular HMT, DCMS, OTS, BIS, the Charity Commission and other similar organisations should also be promoting it where possible.

Chapter 2: The Gift Aid declaration

8. Do you agree that it would be helpful to enable charities to shorten the Gift Aid declaration in this way, provided they were prepared to accept liability for a charge to tax where the donor had not paid enough tax to cover the Gift Aid?

We agree that the model Gift Aid declaration should be shortened. However, we are concerned about the wording of the last sentence of the proposed shortened declaration. The words 'HMRC will check' and 'not paid enough tax' may cause concern and be unnecessarily off-putting for donors. The last sentence could be changed to reflect the fact that HMRC may let the charity know the donor's name and address if they have not paid enough tax. For example, "I understand HMRC may let the charity know whether or not I am a taxpayer". Further options should be presented for the shortened declaration, and research should be done among donors before any new wording is finalised, to validate the proposals.

We think it highly likely that the shortened Gift Aid Declaration will be better understood by donors than the longer version. As such we consider that there is likely to be less risk to HMRC from the use of the short Gift Aid Declaration. If this is correct then requiring charities to accept liability for tax over claimed would not make sense. We view this as being a key area for donor research.

We are concerned that the proposals would result in increased complexity from there being two different types of Gift Aid Declaration. We can envisage this leading to confusion for charities and donors alike leading to charities claiming Gift Aid incorrectly.

In the meantime, the existing Gift Aid declaration wording can be simplified and improved. For example, the dates of the tax year, the reference to Community and Amateur Sports Clubs, and the sentence referring to VAT and Council Tax can be removed without legislative change. The last

sentence of the HMRC best model Gift Aid declaration also now needs to be changed to reflect the new Gift Aid rate.

In practice we would be happy to repay donors that have made an innocent mistake, as we do now on a voluntary basis, but not donors who are acting irresponsibly. It would be helpful if HMRC could provide figures on the level of shortfall repayments they have reclaimed from donors in the last year so that charities can analyse the risk. Our own experience is that this is relatively rare. No individual donor details would need to be released. Information about how much charities overall are having to repay should be regularly available.

It is important that all Gift Aid declarations can be enduring. If donors had to renew a declaration every year it is virtually certain that many would lapse, losing charities valuable Gift Aid income. This is an example where a well intentioned measure could lead to unintended and adverse consequences for charities. Clarification on whether the new model Gift Aid declaration could be an enduring one would be helpful. If it is not, a new enduring version should be drafted.

Transferring the liability for over claimed Gift Aid would also have accounting implications for charities. It would be sensible for these to be considered before any changes were made.

9. Do you think a reasonable limit for individual donations that can be made using a shorter Gift Aid declaration, as set out in Proposal 1, would be £1000, £5000 or somewhere in between? If not, what limit would seem reasonable and why?

We have reservations about introducing a two tier Gift Aid system and transferring the formal liability for the tax over claimed to the charity.

This does seem to lead to a cumbersome process for the assessment of tax by HMRC as it will need to be first checked which type of Gift Aid Declaration has been used by a charity. This will be necessary to know whether the charity or individual is liable for the tax.

10. Given the complexities outlined above, how do you think a tax charge should fall to charities where a donor has only paid enough tax to cover some of the Gift Aid on donations they have made in the year?

The fairest way of dealing with this is that each charity should bear its proportion of the over claimed Gift Aid. We also envisage that there will be a level below which Gift Aid will not be recovered by HMRC due to the cost of doing so.

We are unclear about what would happen where part of the liability might fall on the donor as well as the charity (through the use of the more detailed declaration) and we would welcome clarity on this.

11. Do you agree that HMRC should be able to tell charities which donations tax charges relate to?

Yes - under this proposal this is essential to avoid a charity being subject to an ongoing tax liability. Although we are concerned how this is communicated to the donor as set out in our answer to question 8.

12. Bearing in mind the need to retain a link to donors' tax affairs in order to retain Gift Aid's status as a tax relief, are there any other changes you think it would be possible and helpful to make to the Gift Aid declaration?

Please see response to q8.

A statement that the donation is from an individual and not from a collection might also be useful - or this could be included with guidance note for donors about Gift Aid.

Chapter 3: Gift Aid: a greater role for intermediaries

14. What are your views on the requirements placed on non-charity intermediaries and the regulatory powers the Government would need to take under Proposal 2?

We support the approach outlined in the consultation document. We think it should be a requirement that Gift Aid could only be paid into a trust account set up by the intermediary so that there was protection for charities in the event of the intermediary's insolvency.

It will also be important for there to be clarity about how the fit and proper persons test would apply to a non charity. In particular, who would be a 'relevant person' as referred to in the consultation document?

There should a requirement for a written agreement between the intermediary and charity before a Gift Aid claim. This would be necessary to confirm fee arrangements and whether the charity wished the intermediary to act for it in claiming Gift Aid. We currently play an active part in the contract creation for organisations claiming Gift Aid on our behalf.

It would also help if there was clarity of how often HMRC would carry out audit procedures with respect to an intermediary. With large intermediaries it would be helpful if this could be done annually so that a charity's potential liability for over claimed Gift Aid could be minimised.

The intermediary should be liable for any Gift Aid that is over claimed, as it would have control over the process. The guidance and controls should ensure that the intermediaries are correctly allocating the donations to the correct charities. Charities should have assurance about this, and should have confidence that they are getting all the income they are due.

Clear guidance should be available to address what happens if claims are found to be in error, and what controls will be in place to ensure that the correct charity receives the right amount of money if errors do occur.

We have concerns with proposal 2 – as the charity is not in control of the process. We would need assurance from HMRC that incorrect claims made in our name would not affect the charity, or reflect badly on us.

15. What sorts of features do you think intermediaries would need to have to have? What sorts of organisations should be able to be intermediaries?

Intermediaries would need to demonstrate robust controls and processes. Controls should be in place to ensure that intermediaries do not have a conflict of interest with the charities they are claiming for.

16. As set out above, the Government intends to put in place two requirements under Proposal 2 – a time limit on declarations, and a requirement to ask donors if they wish to Gift Aid each

donation – to reduce the risk of Gift Aiding a donation in error. Are there other methods to protecting donors against the risk of overclaiming?

We are concerned by the need to actively renew a Gift Aid declaration as stated above. A much better approach might be to require a donor to be reminded of the need to consider their tax status each year asking him or her to withdraw their Gift Aid declaration where necessary.

Asking donors whether they want to Gift Aid every donation (even if it's just a simple tick box) could increase the risk of Gift Aid fatigue and create greater administrative burdens on charities. We suspect that the majority of donors would think these requirements unnecessary, as was found when proposals to change the Retail Gift Aid scheme were considered.

17. Would it be helpful to place a requirement on intermediaries to inform donors how much they had donated that year, with the amount of tax required to cover Gift Aid on those donations?

Yes, this would be helpful. It is something that we are already considering with Retail Gift Aid.

We consider that any requirement should mirror that developed for the Retail Gift Aid Scheme. This allows supporters to opt in to receiving an annual statement. If not arranged this way many supporters would receive unwanted correspondence and more costs would be incurred which charities would ultimately pay for through the pricing structure of the intermediary.

18. Do you think intermediaries will offer to claim Gift Aid on behalf of charities as set out under Proposal 2?

Yes. We would need to look carefully at the charges.

19. What do you think the consequences of the intermediary taking on liability might be?

Many intermediaries may not be willing to accept liability for loss of income to charities. It might also make them overly cautious in promoting Gift Aid to their customers leading to a potential reduction of Gift Aid for the charity sector.

20. If the proposals in Chapter 2 are adopted, do you agree that the liability for tax charges arising where the donor has not paid enough tax to cover a Gift Aided donation should fall to the intermediary? Or would it be more appropriate for the liability to fall to the charity?

They should fall to the intermediary, as they are in control of the process.

21. What might be the advantages and disadvantages of Proposal 2 for charities?

We do not believe that proposal 2 is an optimal solution for charities:

- Charities do not have control of the process, and may not be in control of which intermediaries are claiming Gift Aid on their behalf.
- Asking donors to sign up to Gift Aid for each donation would increase the risk of fatigue among them.
- Donors could get multiple messages from intermediaries, which could be confusing.
- Charities may not be able to contact donors to thank them for their donation, and to keep them updated on their work. This would be a significant disincentive for charities.

We would also like to know if there would be any potential impacts regarding Gift Aid Online submissions if there are multiple intermediaries.

We list the potential advantages in our response to question 23.

22. How can charities' relationships with donors be protected under Proposal 2?

Charities should be able to contact donors, to thank them for their donation and to keep them updated on their work. Charities should also be able to decide whether the intermediary can claim Gift Aid for them.

We assume that charities will still be able to Gift Aid any donations they may have received from the donor directly.

23. Do you think Proposal 2 would lead to an increase in Gift Aid going to charities? What is the evidence for this?

We think there is a good chance that proposal 2 would increase Gift Aid going to charities, as SMS Gift Aid take up is low (20-30%) compared to around 80% for online donations. However, SMS giving is still a nascent income stream, so we cannot be sure.

Proposal 2 would only be successful if there are safeguards to ensure that charities receive the money they are due, and that donors feel confident in the scheme. The evidence of changing patterns in giving to Cancer Research UK shows that donors are looking for quicker and faster ways to give – so it may well increase the amount of Gift Aid going to charities.

24. Do you think Proposal 2 would lead to an increase in overall donations to charities? What is the evidence for this?

It is difficult to answer this question with any certainty. The Government should use focus groups with taxpayers to investigate the answer to this question.

25. What are the advantages and disadvantages of Proposal 3 over Proposal 2?

We believe that proposal 3 has more chance of success than proposal 2. The key advantage for charities is that they would be in control of the integrity of claiming Gift Aid they received.

We presume that charities would know the value of donations made, and would be able to demonstrate the audit trail from the donor. It is also important who communicates with the donor – the charity should be able to do so.

26. What are your views on the option that both Proposals 2 and 3 should be available in parallel?

Donor research should seek to clarify whether this added complexity would be too confusing for donors.

Assuming that our concerns and questions about the two proposals were addressed, we don't see any reason why both proposals shouldn't happen in parallel.

27. Do you agree that intermediaries should be liable for invalid Gift Aid declarations and any repayments required or penalties issued in relation to these? Or should charities be liable, given they will have received any Gift Aid paid out on these incorrect claims?

We agree that intermediaries should be liable.

28. If Proposal 1 (in Chapter 2) and proposal 3 are adopted in combination, should the charity be liable for tax charges where the donor has paid insufficient tax to cover the Gift Aid on the donation? Or should the liability for the tax charges fall on the intermediary?

As explained elsewhere we question whether any strict legal tax liability should fall on anyone other than the donor. If this did happen we would prefer that the liability should fall on the intermediary.

31. Do you think additional HMRC guidance and support would help digital providers to operate Gift Aid more efficiently and make it easier for donors to claim Gift Aid on their donations through digital channels?

Yes. It is also important that charities are provided with the same guidance, so they can appreciate the process and understand how income is being achieved.

32. What sort of support could HMRC usefully provide in this area?

Guidance on best practice Gift Aid declaration requirements, retention and preferred claim processes. Video guidance may be useful for this audience rather than just written guidelines.

Chapter 4: A universal Gift Aid declaration database

34. What model for a UGADD would you prefer to see in place?

Donor research is needed to answer some of these important questions. From our experience, we are supportive of exploring the idea of a UGADD. But there are still many questions about how practical it could be.

A single operator would be needed to administer the UGADD, paid for by fees from the charities using it. It could be viable with just a small number of the larger charities utilising it. The single operator would need to be regulated. Government would have a role to play, both in selecting the single operator and organising the regulation of the operator. Regulation of the operator is important because of the huge amount of taxpayers' information that could potentially be held.

We agree with the elements listed in point 4.4. We think charities should interrogate the UGADD to see if the donor has a valid declaration, and make the Gift Aid claims to HMRC themselves. This provides control for the charities over the Gift Aid claims.

We understand that the Government would need to change the Gift Aid rules to allow enduring declarations to be made to more than one charity.

35. What are the advantages and disadvantages of a UGADD compared to either Proposal 2 or 3 set out in the previous chapter, for charities, donors and intermediaries?

In the longer term, the UGADD has a number of clear advantages over proposals 2 and 3 in theory. If operated successfully, it would make signing Gift Aid declarations easier for donors. Charities would benefit from having access to greater numbers of donors with Gift Aid declarations.

In the shorter term, signing up to the database could be complex for donors. Some may not want to sign up, so parallel Gift Aid systems would need to operate. There could be problems transitioning to the database, and a critical mass of charities using the UGADD would need to be achieved.

36. How might the introduction of a UGADD fit with charities' current systems for managing Gift Aid? Would the benefits outweigh any costs?

Overall, we believe that the benefit of a successful UGADD would outweigh the costs. Inevitably there would be initial costs for charities in transitioning to the new system, and in operating dual systems.

37. What functions should a UGADD have, and why?

- Easy to use lookup functionality.
- Capable of storing supporter data (a range of fields).
- Mass search capability where more than one donor can be found at a time.
- Multiple search fields in case the unique reference is unknown.
- Image view and print.

38. What information should a UGADD pass on to charities about their donors? How, and why?

- As a minimum, the UGADD should provide Gift Aid declarations.
- If donors have given permission, it should provide contact details so the charity can keep donors updated on its work.
- Charities would have to see confirmation that all the mandatory information has been completed correctly (unless the contract with the UGADD operator required them to ensure the declaration is valid).
- Date of declaration.
- Donor identifier – which we would match to a number on our database.

There are a number of questions that would need to be answered during the tender for the operator. For example, to what extent would the operator contact charities when donors are added? How would delays with uploads be dealt with? For example, how would we accommodate back claiming where declarations are received retrospectively?

39. Should Gift Aid be claimed directly by the charity, or should the UGADD claim the Gift Aid on the charity's behalf?

Gift Aid should be claimed directly by the charity, in order to maintain its integrity and liability.

40. How could a UGADD best be encouraged to emerge? What might be the best role for Government in supporting a UGADD's development?

One supplier will need to operate the UGADD. There is a role for Government in helping to select the supplier, ensuring that the supplier is properly regulated, and in legislating for the UGADD.

41. How should the UGADD and charities identify donors, given the Government's requirements on accuracy and security as set out above? Would donors find this easier than providing a new Gift Aid declaration?

By unique identifier, name and postcode. We have our doubts that a donor will find it less burdensome remembering a unique identifier than making a Gift Aid Declaration for each charity that is supported. Even with a UGADD not all donations will be Gift Aided.

42. How can a UGADD be developed in a way that allows access for a wide range of charities?

The fee structure would need to be accessible for all charities. For example, charities could pay a subscription to access the UGADD, based on their Gift Aid income – ideally based on the Gift Aid income generated via the database. The service should be accessible and self service – for example a web based tool with appropriate security checks.

43. Where a Gift Aid declaration has not been taken correctly so it is invalid, should the UGADD administrator or the charity be liable for the repayment of the Gift Aid? Why?

We would expect the quality control procedures adopted by the UGADD operator over Gift Aid declaration wording to make this possibility remote. But should it occur we would expect liability to sit with the UGADD administrator, as Gift Aid declarations should be checked at the point of sign up and entry to the UGADD.

44. Where a donor has paid insufficient tax to cover a Gift Aid claim made on a donation, should the donor, the charity or the UGADD operator be liable to make up the shortfall in tax? Why?

The donor. The UGADD sign up process should be clear about this.

45. How can the Government get sufficient assurance that taxpayers' confidential information is adequately protected by the operators of a UGADD?

The Government would need to be involved in the appointment of the operator, and would need to have detailed contractual negotiations with them. The Government would need to ensure that the operator was regulated.

47. How do you think the costs of building and/or operating a UGADD should be covered?

Eventually the costs would be covered by charity subscriptions. However, the operator would have to make an initial outlay.

Government could assist by analysing whether existing Government databases could be at all helpful in developing the UGADD. For example, making some use of the database that holds National Insurance numbers may save the UGADD operator time and money.

Chapter 5: Assessment of impacts

50. In your view, what proportion of relevant donations to charity are made through 'new' digital giving channels compared to more traditional forms of giving?

It is important to distinguish between the proportion of donations made through new digital channels and the value of donations made through these channels. The first measure will likely be much higher than the second.

The proportion of donations made through digital giving channels varies across our fundraising portfolio, but is increasing. In our most established products, the majority of donations are not made through new channels. For our sponsorship events such as Race for Life, the majority of donations are now made through new channels, and this proportion is increasing. Our new products see digital giving as the default giving mechanism – so digital giving will continue to rise.

51. Are these genuinely new donations, or would they otherwise have been made through a different channel?

Many are new donations and probably would not have been made through another channel. Both Cancer Research UK and its supporters are increasingly using technology to interact with new audiences. This is especially true with our use of JustGiving and SMS giving. JustGiving has increased our sponsorship values per fundraiser considerably. Technology has made it considerably easier for people to give – more is given when the opportunities are simple and interactive. New giving channels have helped us to receive more donations from younger audiences, for example 21-35 year olds.

52. What proportion of the donations made through new digital channels is currently Gift Aided? How does this compare with other donations of a similar size?

Donations made through SMS have a very low Gift Aid take up rate. However, we do not believe that these would have usually been made through another channel. Our online donations have a nearly 80% Gift Aid rate, whilst our offline donations range between 25% and 50%, depending on the campaign.

53. Given the size of the donations, what is the maximum proportion of these donations that might practically be Gift Aided?

The same proportion as are taxpayers (the vast majority).

54. In your view, what effect might the proposals in this document have on the proportion of donations that are Gift Aided, taking into account: a. Only donations made through ‘new’ channels; b. All donations?

We expect that some of the proposals would significantly increase the amount of donations through ‘new’ channels that are made with Gift Aid. The proposals should also provide an increase in the proportion of all donations that are made with Gift Aid. As ‘new’ channels continue to increase, with fast improving technology and due to demographic changes, the proposals in this document, if implemented effectively, could have a significant impact on the proportion of donations that use Gift Aid for years to come.

55. In your view, would the proposals in this document have the effect of imposing extra costs on your organisation? How? Would these be start-up costs or ongoing costs? How large would they be?

There is the need for further refinement of these proposals, but if implemented effectively the proposals should generate significant extra income for Cancer Research UK. There may be higher

administrative costs, for example in changing Gift Aid declarations and in paying to analyse the UGADD, but overall the charity should gain from them.

At this stage it is very difficult to estimate costs involved in any meaningful way due to the number and diversity of proposals being considered.

56. Do you agree with the assessment of impacts set out in the summary of impacts table? In your view, are there any impacts that have not been mentioned here? a only donations made through 'new' channels; b all donations?

We broadly agree with the initial assessment in the summary of impacts table.

About Cancer Research UK

Every year around 300,000 people are diagnosed with cancer in the UK. Every year more than 150,000 people die from cancer. Cancer Research UK is the world's leading cancer charity dedicated to saving lives through research. Together with our partners and supporters, Cancer Research UK's vision is to bring forward the day when all cancers are cured. We support research into all aspects of cancer through the work of over 4,000 scientists, doctors and nurses. We spent over £330 million on research last year. The charity's pioneering work has been at the heart of the progress that has already seen survival rates in the UK double in the last forty years. We receive no government funding for our research.