



# Changes to the Retail Gift Aid Scheme

If you run shops and use the Retail Gift Aid Scheme ('RGAS') you need to take action over the substantial changes HMRC made to the guidance on 30 October 2015, such as mandatory training and internal checks. These changes include:

- **Revised template letters.** HMRC has updated the wording of the model letters that must be used for communicating with donors under RGAS. The revised templates must be implemented by 1 January 2016.
- **New guidance on sending letters by email or by post.** Donor letters can be sent by email however if an email address is rejected or invalid the notification must be sent by post.
- **Time limits.** End of year notifications must be sent by 31 May and any adjustments required as a result of the donor notifying of a change in tax status or other details must be actioned by the charity within two months.
- **Prohibition of incentive schemes.** HMRC will not accept Gift Aid claims if inappropriate incentive or bonus schemes are operated, for example using targets for Gift Aid take up, publishing league tables of shops, giving bonuses, incentives, or otherwise rewarding increased Gift Aid claims from individual shops.
- **Staff training and audit checks.** All shop staff involved in RGAS must undergo training to understand the importance of following the correct procedures and to explain the scheme correctly to donors. In addition charities must undertake regular audits on a periodic or sample basis, as appropriate, to ensure the processes are being followed correctly.
- **Labelling.** Charity shops must allocate a unique ID to each donor and use this on price labels.

- **Informing shop customers.** Shop customers must be made aware that the goods are being sold as agent for others under RGAS by, for example, putting up an explanatory notice and using differently coloured labels.
- **Liability for unpaid tax.** HMRC no longer requires users of RGAS methods A and B to accept liability if the donor has paid insufficient tax to cover the gift aid claimed, nor will HMRC restrict future claims for this. HMRC will pursue the donor for any unpaid tax.
- **Rate of commission.** HMRC expect a VAT standard-rated seller's commission to be charged to the donor in order to make the operation of RGAS a business activity for VAT (and to thus obtain VAT recovery on the costs of operating RGAS). HMRC now say the rate of commission must be set to reflect the 'real costs' of operating RGAS in order for it to be seen as a business activity

For the revised guidance see: <https://www.gov.uk/government/publications/charities-detailed-guidance-notes/chapter-3-gift-aid#chapter-342-claiming-gift-aid-when-goods-are-sold-by-and-the-proceeds-gifted-to-charities>

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