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## **Donations and Gift Aid**

Donation management is not a facility that is available in normal commercial accounting packages. A donation is money given where the donor is given nothing in return. This is not like a sales ledger where there is an invoice raised in return for the supply of goods or services. Hence, specific donation management facilities are needed in the accounting system implemented.

If donations are received for a specific purpose (e.g. youth scheme, building, etc.) then they will need to be booked to the appropriate fund for that purpose. This will ensure that proper accounting records are maintained of income and expenditure for that particular fund. As well as these specific purpose funds, all charities and churches will have a 'General' fund that will be used for the general running of the organisation (the core activities).

Donations received from regular donors will either be via standing order or cash. Donations in cash may also be forthcoming from ad-hoc sources. In either case, it is important that the donations are booked to the appropriate fund. Donors can be private individuals or any organisation including corporate bodies.

Private individuals paying UK tax can also sign a Gift Aid declaration whereby your charity can claim back from HMRC the UK tax that would have been paid by the individual in order to clear the net amount of the donation. Records must be kept of donations received under the Gift Aid scheme and a full list of the relevant donors and their donations must accompany all claims to HMRC. This list is called the Gift Aid Schedule and it's layout needs to be approved by HMRC. A Small Donations Scheme has also been introduced by HMRC that allows claims to be made against small cash donations without the need to keep detailed records. Claims to HMRC for repayments can be made via Charities Online or via a paper schedule according to an HMRC approved format.

Booking donations to your accounting system and keeping records of your donors can be quite time consuming and involved, particularly if Gift Aid is also being processed. It is, therefore, of great benefit to be running an accounting system that includes integrated donation management and Gift Aid processing facilities.

If you are using the receipts and payments method, then Gift Aid will only be booked to the accounts when you receive the money from HMRC. Under accruals accounting, the recoverable Gift Aid amount should be accruing in the accounts as donations are booked thus giving an accurate financial status at all times.

Another issue (sometimes quite contentious!!) relates to which fund gets the Gift Aid refund. If Gift Aid applies on donations received by the Youth fund then really, the Youth fund should get the refund. To book this, a proper multi fund accounting system is required.

Fortunately, the Paxton packages take care of all the issues raised above.

### **Including:**

- Gift Aid claims via HMRC Charities Online
- Gift Aid Small Donor Scheme processing
- Revised sponsorship claims