

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

First Delegated Legislation Committee

DRAFT SMALL CHARITABLE DONATIONS ACT (AMENDMENT) ORDER 2015

Monday 7 December 2015

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IN GENERAL COMMITTEES

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The Committee consisted of the following Members:

Chair: MARK PRITCHARD

† Anderson, Mr David (<i>Blaydon</i>) (Lab)	† Long Bailey, Rebecca (<i>Salford and Eccles</i>) (Lab)
† Burns, Conor (<i>Bournemouth West</i>) (Con)	† McGinn, Conor (<i>St Helens North</i>) (Lab)
† Cooper, Julie (<i>Burnley</i>) (Lab)	† Mathias, Dr Tania (<i>Twickenham</i>) (Con)
† Creagh, Mary (<i>Wakefield</i>) (Lab)	† Mills, Nigel (<i>Amber Valley</i>) (Con)
† Davies, Dr James (<i>Vale of Clwyd</i>) (Con)	† Stride, Mel (<i>Lord Commissioner of Her Majesty's Treasury</i>)
† Davies, Mims (<i>Eastleigh</i>) (Con)	† Sunak, Rishi (<i>Richmond (Yorks)</i>) (Con)
† Double, Steve (<i>St Austell and Newquay</i>) (Con)	Marek Kubala, <i>Committee Clerk</i>
† Ffello, Robert (<i>Stoke-on-Trent South</i>) (Lab)	† attended the Committee
† Fysh, Marcus (<i>Yeovil</i>) (Con)	
† Hinds, Damian (<i>Exchequer Secretary to the Treasury</i>)	

The following also attended (Standing Order No. 118(2)):

Tugendhat, Tom (*Tonbridge and Malling*) (Con)

First Delegated Legislation Committee

Monday 7 December 2015

[MARK PRITCHARD *in the Chair*]

Draft Small Charitable Donations Act (Amendment) Order 2015

4.30 pm

The Exchequer Secretary to the Treasury (Damian Hinds): I beg to move,

That the Committee has considered the draft Small Charitable Donations Act (Amendment) Order 2015.

It is a great pleasure to serve under your chairmanship, Mr Pritchard. I welcome the hon. Member for Salford and Eccles to her place. This is the first chance that we have had to interact in a Committee, although I hope today's will be of modest duration.

The Government recognise the valuable contribution that the UK's 165,000 charities make to many aspects of our society. That is why we continue to help charities achieve their charitable objectives and incentivise their donors, including through tax reliefs that were worth more than £4.5 billion in 2014-15. It is also why the Government have announced an increase in the limit for the gift aid small donations scheme from £5,000 to £8,000 per charity per year. The order provides a further opportunity to enhance Government support for charities, and the communities that they serve, by allowing charities to claim an additional top-up from Government on the contributions that they receive from their donors.

Gift aid is a well established and significant revenue stream for charities. Since 1990-91, more than £13 billion of gift aid relief has been paid to charities. However, it is not always possible or practical for all charitable donations to be accompanied by a gift aid declaration—for example, when charities collect donations in high street collecting tins or when churches receive donations via the collection plate. In 2013, the Government therefore introduced the gift aid small donations scheme, which was designed to help charities receive a gift aid-style top-up payment—a 25% top-up from Government—on small cash donations. The scheme is not, and is not intended to be, a substitute for gift aid. If a donor makes a larger donation or the donor can reasonably complete a gift aid declaration form, gift aid should be claimed.

In the first year, 2013-14, 8,100 charities claimed a total of £6 million through the scheme. Take-up increased last year; in 2014-15, 19,300 charities claimed a total of £21 million. Our intention is to continue to raise awareness of the scheme and to ensure that it can support a greater number of charities and of donations. At the 2015 Budget, the Government announced an increase in the annual limit on donations on which a charity can claim through the gift aid small donations scheme, from £5,000 to £8,000. The purpose of today's debate is to agree that change so that it can come into effect from April 2016. The change will enable charities to claim up to £2,000 of Government support on up to £8,000 of

donations, compared with the maximum £1,250 that can be claimed under the current £5,000 donations limit.

The Government expect the increase in the limit particularly to benefit the 7,200 charities that currently claim on the full £5,000. For other charities, I hope that the prospect of greater financial support from Government will provide an increased incentive to sign up to the scheme.

For completeness, I should mention that at the autumn statement the Government announced that they would review the scheme. The review will begin with a call for evidence from charities and other interested parties, which will be published before Christmas.

The increase in the scheme limit will provide additional support for charities that receive small, often spontaneous donations. It is right that the Government enhance those donations through the gift aid small donations scheme, because they are vital to charities and embedded in our country's culture of philanthropy. I look forward to dealing with any questions that members of the Committee may have.

4.34 pm

Rebecca Long Bailey (Salford and Eccles) (Lab): It is a pleasure to serve under your chairmanship, Mr Pritchard, and, as always, to debate with the Minister.

As we have heard, the order is designed simply to amend the Small Charitable Donations Act 2012 to increase from £5,000 to £8,000 the amount on which charities can claim a gift aid-style top-up payment on small donations. The order will come into effect on 6 April 2016. Charitable giving is supported on both sides of the House, but I note the evidence that people on lower incomes donate a greater proportion to charity. It is important, therefore, that what is in effect taxpayer subsidy is not unfairly skewed to the largest donations made by the very rich. Ensuring that gift aid is extended to smaller donations is therefore an important point of principle. The increase proposed in the draft order will undoubtedly help smaller donors and smaller charities achieve that end. It also meets one of the recent recommendations made collectively by the National Council for Voluntary Organisations, the Institute of Fundraising and the Charity Finance Group. On that basis, I do not intend to oppose the order, but I will take the opportunity to voice a number of related concerns and questions about the scheme that I hope the Minister will be able to answer.

During the passage of the 2012 Act, the Opposition raised concerns that the scheme was quite complex and would potentially create barriers for small charities that could be eligible to claim the top-up payment. Although we appreciate that there is a fine balance between allowing charities to access the scheme and protecting it from fraud, we are aware that a number of charities and organisations have reported that the scheme is complicated, thus rendering it inaccessible for smaller organisations that may find the administrative burden difficult to navigate.

In particular, research from the NCVO, the Institute of Fundraising and the Charity Finance Group found that the smallest charities are having difficulty even finding out about the scheme and working out whether they qualify for it. Some 38% of the small charities

surveyed reported that they found it either difficult or very difficult to find out about the scheme, and 66% of small and micro-organisations said that it was difficult to understand what types of donations they could make a claim on. A third of small charities found understanding the claiming process difficult.

Welcome as the increased limit is, the chief executive of the National Association for Voluntary and Community Action has made the point that

“unless the barriers to claiming are removed, the higher limit seems meaningless.”

Similarly, although the director of public policy at the NCVO welcomed the increase, he said:

“Increasing the limit will not in itself mean that more charities will claim the money... it will mean that more money will go unclaimed.”

He expressed concern that because smaller organisations often employ few or no staff, trying to claim under the scheme is not worth the administrative costs and effort involved. For the benefit of any charities following our debate today, will the Minister update us on efforts that the Government are making to publicise the scheme, especially to the types of smaller charities that have so far been left out? For example, are any new promotional campaigns planned?

Another point made by the sector is that the scheme applies only to cash donations, thus excluding charities that largely take donations in kind, such as food banks. Although we understand the challenges that such donations pose, has there been any consideration of whether there is a way to address that issue, given the potential inherent unfairness?

It would be helpful if the Minister could tell us what the Government’s assessment is of any abuse of the scheme for fraud or tax evasion to date. For example, how many instances of abuse have taken place so far? Are the safeguards that are already in place sufficient, or indeed excessive?

I turn to the amounts expected to be paid through the scheme. I recall that when the Chancellor of the Exchequer originally unveiled it, he told the House with his usual degree of excited modesty that these were among

“the most radical and most generous reforms to charitable giving for more than 20 years.”—[*Official Report*, 23 March 2011; Vol. 525, c. 962.]

It would be useful for my assessment of the scheme if the Minister could first set out his expectations of the amounts that will now be paid out through the scheme, and secondly update us on its impact to date, particularly its performance against the expectations first set out by the Chancellor. For example, the scheme was estimated to cost £50 million in its first year, yet Her Majesty’s Revenue and Customs estimates that the cost was only £6 million in 2013-14—an underestimate of nearly 91%—rising to only £21 million in 2014-15. The Chancellor also claimed that 100,000 charities would see their income boosted by the scheme, so will the Minister tell us how many charities have in fact benefited so far?

Finally, back in 2012, the right hon. Member for Bromsgrove (Sajid Javid) assured the House that a review of the efficacy of the scheme would be carried out. It is my understanding that, as the Minister outlined, that review is set to take place in 2016, with the call for evidence beginning this month. As he may be aware, the umbrella organisations that I have referred to today

have called for the Government’s review to be brought forward and asked for steps to be taken specifically to make the scheme less complicated. With the sector’s views in mind, which I have outlined today, will the Minister now confirm the timetable for the review, and particularly when it will begin and end? Will it be in time for any improvements in the scheme to be implemented for the next tax year, when the order comes into force? Will he also confirm what the terms of reference will be and provide assurance that the concerns that I have expressed today will be examined carefully?

4.39 pm

Marcus Fysh (Yeovil) (Con): It is great to see the draft order, which is very much the big society in action. It is excellent. I have one question about the level of the claimable amount. The Minister said that 7,200 charities claim the full amount at the moment. What percentage of charities is that, and what percentage does he imagine will be covered by the £8,000 limit? Does he have a target in mind for that through promotion of the scheme?

4.40 pm

Mary Creagh (Wakefield) (Lab): The scheme that the Minister is expanding upon today is interesting and is well regarded by charities and the public. In Wakefield we have a number of small charities, as well as the national headquarters of the Penny Appeal—its name sounds like a small amount, but it is actually a large and fast-growing charity—and some local churches that collect for the Suzy Fund. A lot of people are interested in the scheme, although I am not clear whether some of the micro-charities in my constituency are aware of it, so I will write to them.

We politicians underestimate how difficult form filling and excessive bureaucracy—particularly HMRC bureaucracy—are for our constituents and people who run small charities. For example, they might be running food banks, as my hon. Friend the Member for Salford and Eccles said, brass bands or small football or rugby league teams, or even doing a small bake sale, such as the people who feed into the larger Comic Relief. There are all sorts of ways in which the scheme can be spread out. The example that springs to mind is the poppy appeal, although I am sure that the Royal British Legion has mechanisms in place to maximise the revenue from it. Will the Minister let us know what the legion’s approach is? The appeal involves a lot of very small cash donations, and it would be absurd to be filling in a gift aid form for £1 or however much people give.

I want to follow on from the question about the 7,200 charities that claim the full amount. The Minister said that 19,000 charities claim £21 million. According to his figures, therefore, 12,000 of the claiming charities are not claiming the full amount. That prompts the question, what is the median and the smallest amount claimed? Perhaps he will send me and other Committee members the figures for the average amount claimed, which would be interesting, and explain why the full amount is being increased. I am sure it is a good reason.

The suggestion about food bank donations was interesting. Although large retail companies do good work with food banks, I would be reluctant to see Tesco or Ocado—I must not forget Sainsbury’s or Asda—

Robert Ffello (Stoke-on-Trent South) (Lab): All of them.

Mary Creagh: Yes, all those large companies have done amazing work with food banks. I know that from my constituency and from my time on the Front Bench as shadow Secretary of State for Environment, Food and Rural Affairs.

For small charities, such as St Vincent de Paul in my local church and other Catholic churches, or for people donating to the Sainsbury's appeal—a packet of cereal, a four-pack of beans or whatever it might be—there should be a mechanism to enable small donations to be match-funded or gift-aided. That would be interesting and innovative, given that so many people are now choosing to donate in kind rather than in cash. Will the Minister tell us how he plans to take things forward?

4.44 pm

Nigel Mills (Amber Valley) (Con): May I build on the questions about donations in kind and food banks? When the 2012 Act was debated, I tormented the then Minister with questions about why we were restricting the measures to cash donations. As the world moves on, we will all start using contactless payment or Apple Pay, and there will be many more situations in which one can make a small donation to a charity by walking past and waving one's card or phone. Yet although that is practically the same as cash for all intents and purposes, under the rules as currently drafted it is outside the scheme, and the charity would have to collect someone's gift aid details through their mobile phone provider or bank. What people think they are doing in such situations is making a small donation in cash; they just happen to be using a more convenient technological process to do so.

There are many other examples. People can deposit their Oyster cards in a bin at the tube station, and Transport for London takes the balance and gives it to a charity. Again, people are not making a cash donation, but that is effectively what they think they are doing. Three years on, is the Minister more open-minded than his predecessor on revisiting whether we should allow small donations to be extended to cash equivalents in order to capture such situations?

4.46 pm

Robert Ffello: Thank you, Mr Pritchard, for your charitable comments before the sitting kicked off. It is always a delight to see you in the Chair.

The proposals are welcome. I agree with some of the comments that have been made, so I will try not to dwell on mine for too long. These feel like "widow's mite" proposals, designed to support donations from the people who might be least able to donate, whose donation is a large one to them but perhaps not to the charity concerned.

I have a couple of questions. First, where did the £8,000 figure come from? It seems a little random. Why not £7,500 or £10,000? What was the rationale, and is £8,000 a step towards £10,000? If so, the Minister's comments would be welcome.

To echo what has been said about advertising the scheme to the smallest of charities and addressing its complexities, I know from a previous existence outside this place that the smallest charities often have staff and

volunteers who perform many different roles and wear many different hats. If one of those many hats involves fathoming their way through HMRC forms—I have experience of working for the Inland Revenue, and I know how complicated it can be—the forms for this scheme may well end up in the drawer with all the other difficult-to-deal-with pieces of paper while they get on with doing what the charity was set up to do. Will the Minister comment, ideally here in the Committee but if not by letter to Committee members, on how that complexity can be addressed and how the Government will advertise to the smallest charities?

Finally, comments have been made about donations of Oyster cards and food that is donated to food banks. Given that we are now a few weeks from Christmas, and that because of the season people will be putting an extra tin or packet into their supermarket trolley, can the Minister announce something this side of Christmas, even though the legislation might have to play catch-up? That would prove welcome to the people who want to share what little or largesse they have at this season of good will and cheer to all.

4.48 pm

Damian Hinds: The Government are heartened by the support shown throughout the Committee for the gift aid small donations scheme. Several questions have been asked about the scheme's general performance and the statistics behind it. Last year, 19,300 charities claimed a total of £21 million. We would like that to increase, and that is the point of the changes that we are introducing and the review that I mentioned. My hon. Friend the Member for Yeovil asked where that number sits in the overall universe of charities, and I can tell him that here are a total of 165,000 charities. A question was asked about the median claim. I do not have that number to hand, but I will be happy to follow up on it in correspondence.

Our general objective is for the scheme to be as simple, straightforward and low-cost for charities as possible, consistent with having a scheme in which everybody can have confidence and in which reasonable steps are taken to act against any potential misuse. That is why various safeguards are in place. For instance, a charity has to have been in the gift aid scheme for at least two of the previous four years, and given that the small donations scheme is a cash scheme, what a charity claims cannot be more than 10 times what goes through its regular gift aid programme.

The hon. Member for Stoke-on-Trent South asked the reasonable question of why the figure is £8,000, not £7,500 or £8,500. There is of course no precise answer to that question, but there has to be a number, and it is based on a judgment of what is consistent. The scheme is not about replacing gift aid. Unlike regular gift aid it is taxpayer support, not a tax relief. The £8,000 figure is appropriate and consistent with the scheme having reasonable safeguards in it and being as unsusceptible as possible to state aid action.

The hon. Member for Salford and Eccles asked the reasonable question of what the Government are doing to increase awareness. She also asked whether more charities should know about the scheme. There is always a certain degree of ramp-up in any new programme, and the Government have been trying to do more.

We want to raise awareness of the scheme and have more charities and donors taking part in it. Through the HMRC outreach team, which was established in 2014, the Government have delivered face-to-face presentations to more than 650 charities to spread awareness, increase take-up and help charities receive support through the scheme and available tax reliefs. Furthermore, through the introduction of Charities Online in 2013, we have made it faster and simpler for charities to claim reliefs. Some 95% of charities submit claims online rather than through paper applications, and the majority of claims are processed within five working days, which is down from about 15 working days.

There have been number of suggestions, questions and comments on various aspects of the scheme, and they are all germane, but they are all also subject matter for the review of the scheme. I was asked about the timing of the review, and the call for evidence should come out before Christmas. It remains to be seen how many organisations and individuals respond to that call, but we hope to have very good material and a good

opportunity for feedback, critique and suggestions on how to make the scheme even more successful. It was mentioned that these days, it is possible to make a digital payment almost as quickly as a physical one—through contactless payment, for example—yet the small donations scheme applies only to cash. The review will cover all aspects of the scheme, including questions about digital payments.

The Government are heartened to hear the support from members of the Committee today. As I said, the increase in the small donations scheme limit represents an additional way in which the Government are supporting the charity sector. It will enable a significant number of charities, especially the 7,200 that already claim their full top-up under the existing £5,000 limit, to access greater financial support from the Government. I commend the order to the Committee.

Question put and agreed to.

4.53 pm

Committee rose.

