

A Short Guide For Charity Shops to Understand and Claim Gift Aid

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1. Introduction

Running a charity shop is not easy. Retail is tough! Like other fundraising work, a shop is a business venture with overheads that are increasing, and there are not many ways to increase the return from a shop but charity shops can get extra income from Gift Aid.

Gift Aid is a huge benefit to charities. In the past, hundreds of thousands of pounds of Gift Aid went unclaimed, but today most charities are reclaiming what they can with diligence and care – but some are reclaiming more than others.



For charity shops there is a special arrangement: the Retail Gift Aid Scheme, which helps to increase the income from each item sold. This may only be a few pennies per item, but over a period it represents a steady addition to the charity's retail income.

It is also good news for the giver. People giving items to charity shops will be very glad to know that for every item they have donated some extra money is going to the good cause.

2. The Retail Gift Aid Scheme

Gift Aid can only be reclaimed on cash donations, and charity shops typically receive donations of goods rather than cash, so the HMRC created the Retail Gift Aid Scheme for charity retailers to enable them to benefit from Gift Aid. The concept is that the donor retains legal ownership of the items until they are sold, and the shop acts as a sales agent for the donor who has pre-agreed that, when the goods are sold, the proceeds will go to the charity.



This is only possible if the charity can link the goods back to the original donor, so charities are turning to technology and in many instances barcodes to record the unique donor number on each item.

When someone brings a donation of goods to a charity shop, they are asked to sign a Gift Aid declaration. This confirms that the donor is a UK taxpayer and that they pay enough income tax to cover the total amount of Gift Aid reclaimed in respect of their donations. The donor has the right to not sign the form, if they do not want to.

Before the new stock is placed on display, it is often labelled with the donor's barcode and the price. Then, when the goods are sold, the shop records the value against the unique donor number.

The exact process varies according to whether the charity owns its shops directly, or whether they operate as subsidiary trading companies. The HMRC website* explains this in full detail.

3. Following best practice

Charities should follow this process correctly to comply with HMRC's rules. The key requirement is that they can trace each Gift Aid claim back to the individual who originally donated the goods, and this becomes possible and easier to manage when the barcode label has been added.

Before the charity can make a Gift Aid claim, HMRC requires them to contact each individual donor to tell him or her the net amount raised from selling their goods. Then the charity can reclaim the tax in respect of the donation.

Since 2016 HMRC also requires the charity to write to donors at the end of each tax year and advise them on the funds they have helped raise through their donation(s). While this may cause extra administration, it has a benefit too – it helps the charity to build an ongoing engagement with each donor.

This means that the charity must keep a running total of the proceeds of the goods sold for each donor, for the whole year. The charity should also keep records of the Gift Aid Declarations, the notifications sent to individuals, and the end of year tax letters.



In order to comply with HMRC, a charity retailer must be very sure that its staff and volunteers understand what to do, and that they follow the process correctly.

4. Success factors

Most charity retailers operate with just enough volunteers to cover opening times, and they are some of the busiest shops on the High Street, so the managers are always busy. Reclaiming Gift Aid for items sold through the Retail Gift Aid Scheme is certainly worthwhile but only if the method is easy and quick and doesn't create any extra work for the shop staff and volunteers.

The process is most likely to be successful if it is easy for staff and volunteers to manage and straightforward for customers who want to donate goods.

It should be very simple for customers – all they should have to do is to sign the form. Shop volunteers need to be able to explain the arrangement correctly to each customer, to be sure that they understand the tax implication.

The labelling process should also be easy for staff and volunteers. Volunteers may come from all ages and backgrounds, so the equipment used must be user-friendly and completely straightforward to operate, so that they can use it with minimal training.

5. Technology choices – ‘standalone’ or ‘mobile’

When looking at potential solutions the charity retailer must consider what technology it has in the shop and may be planning to implement in the future. Most charity retailers use barcode labels to identify the donor for each item of stock, because this is the simplest way to link each item to its donor. They need a solution that is suitable to provide small numbers of barcode labels on the shop premises, and it needs to be suitable for staff and volunteers to use without any assistance.



i. A Standalone Solution

The charity retailer may choose to start with a desktop standalone solution that can read and print barcoded Gift Aid labels, probably set-up in the stock room.

It is simpler for the users if the implemented barcode-reading and printing solution doesn't require a desktop computer, which may be used by others for additional tasks and needs to be powered up, and a program started. That is a lot to ask of a volunteer, especially if they are not computer confident, but there are benefits to implementing a solution that can be upgraded to connect to the shop's computer network such as enabling barcode reading and printing to take place anywhere in the shop.

ii. A Network-Based Mobile Solution

If the shop has either a wired or wireless computer network already installed (or there are plans to install one in the near future), a network-based mobile solution where mobile printers, tablets and even volunteers' Smart Phones can be used, might be a better option to build on for the future. And, ideally, the label printing system will have the capability to connect to the retailer's existing electronic point-of-sale (EPOS) system, if required by the charity.

6. Technology Solutions: PrintPads & PrintBox

A potential desktop, entry-level solution is the 970 PrintPad from 4Court Solutions Ltd, which is already installed in a number of charity retail locations. It is designed for label, ticket or receipt printing, and makes Retail Gift Aid much easier. It doesn't create any extra work - it just makes it much simpler.



The PrintPad (the device with the illuminated screen in the picture) is directly attached to a standalone label printer and is used to print the Gift Aid labels needed for each new bag of donations. This can be done while the goods are being sorted, so they don't need to be handled twice.

The label can include the donor's unique Gift Aid number in barcode form if required, as well as the actual number. For additional personalisation and professionalism, items such as the charity's logo may also be included on the label. The printed Gift Aid label will be scanned at the electronic point-of-sale system (EPOS) when each item is sold so there will be an accurate record of the price, the donor's name, and the Gift Aid due from HMRC. If the EPOS system used by the charity does not handle barcodes, then the Gift Aid number can just be typed in from the label.

The 970 PrintPad can probably also be more closely integrated with the charity's EPOS system to give a more complete solution – it works with most industry standard EPOS systems.

The PrintPads are very easy to use. In the charity shops that use them, the staff and volunteers immediately understood what to do, and were printing barcode labels within seconds. In addition, the PrintPads are versatile in that they can be connected to label printers in both standalone or networked situations.

The PrintBox, also available from 4Court Solutions Ltd, works with a wi-fi or wired network and enable volunteers to use tablet computers and smart phones to print Gift Aid labels.

There are a few ways to use the PrintPads & PrintBox in a charity retail environment.

1. The simplest way is to use the 970 PrintPads connected to a label printer, which can be networked or standalone.



2. The 9000 PrintBox can be used with a wi-fi or wired network and a tablet computer. Most people can use a tablet computer with ease and, with a wireless network available in the shop, this configuration allows users to move the equipment around in the shop and stock room, perhaps printing the Gift Aid labels on a mobile wireless printer.

Alternatively, if the volunteers are using smart phones, the 9000 PrintBox can be set up to work with the smart phones, using a wi-fi network to provide the connection between each phone and the printing device.

Whether tablets or smart phones are used, the big benefit of PrintBox-based solution is that no additional software needs to be installed on the smart phone or tablet. All the volunteers need is the login and password for the PrintBox and a simple internet browser application, such as Chrome, which all tablets and smart phones include as standard.

The configuration chosen will depend upon whether there is a wi-fi network available in the shop, whether there are plans to install one or if the charity chooses to have the PrintBox to create one in-store locally, plus the other technology devices already used in the shop. A wide range of configurations can be installed with these devices depending on individual requirements.

However, Gift Aid labelling is not all they can do. With the right implementation, other label designs and templates can be added either initially or in a later phase for such functions as Product Pricing and Price Markdown (Sale) for labelling goods in the shop as an alternative to handwriting or marking down the prices.



7. 4Court Solutions:

4Court Solutions can advise charity retailers on the best way to build a Retail Gift Aid solution using a variety of label printers, either with or without barcode printing.

Established in 2006, 4Court Solutions specialises in supplying high-quality hardware and innovative software solutions for a wide range of labelling, receipt and ticketing needs across industry sectors ranging from retail and hospitality to banking and charities. These solutions are delivered in conjunction with local industry partners who help deliver best-in-class solutions to the customer.

Sources:

The Charity Retail Association, Retail Gift Aid Guidance Manual

<https://www.charityretail.org.uk/charity-retail-association-launch-updated-retail-gift-aid-guidance/>

** HMRC guidance on the Gift Aid Scheme for Charity shops (chapter 3, section 42)*

<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>