

**Revenue Policy  
Capital & Savings**  
New Wing  
Somerset House  
Strand  
London  
WC2R 1LB

**Tel** 020 7438 6958

**Fax** 020 7438 7960

**E Mail** [Mark.nellthorp@ir.gsi.gov.uk](mailto:Mark.nellthorp@ir.gsi.gov.uk)

[www.inlandrevenue.gov.uk](http://www.inlandrevenue.gov.uk)

## **GIFT AID AND ADMISSION CHARGES**

In the Pre-Budget Report the Chancellor announced that legislation would be introduced to make changes to Gift Aid. Schemes that offer free admission to heritage or conservation sites in return for a donation at least equal to the normal admission charge will no longer be within Gift Aid.

Improvements introduced in 2000 to the Gift Aid scheme have brought considerable benefits to fundraising charities. But the changes have also had the unintended effect of widening the scope of a special statutory exemption available to certain heritage and conservation charities. This has allowed some charities in effect to turn simple admission charges into donations on which tax can be reclaimed. The aim of Gift Aid is to encourage more donations to charity – these schemes are re-labelling the admission charge rather than bringing in new donations.

New legislation will exclude from Gift Aid those arrangements that result in an admission charge being treated as a donation. However, we aim to ensure that

Information is available in large print, audio tape and Braille formats.  
Type Talk service prefix number – 18001

Director: Gabs Makhoulf



heritage and conservation charities will continue to benefit from the special statutory exemption (introduced in 1989) that allows their donors to see the use to which their donations are put. The scope of the exemption will be broadly as it was before the Gift Aid changes in 2000.

I appreciate that in recent years some charities have set up schemes allowing them to claim significant amounts of tax on donations made in return for admission. The change will have an impact on the income of those charities able to operate such schemes. I have no doubt that those charities will want time to rearrange their affairs and would not expect any changes to take effect before April 2005.

The attached sheet provides a little additional background and outlines the proposed changes. We want to ensure that the changes do not cause unnecessary problems for the charities affected. I would be grateful if you would consider the how this will work in practice and respond to the specific questions we have asked. Please send your comments to Tom Parsons at the address shown.

**MARK NELLTHORP**  
Business Director, IR Charities

## **PROPOSED CHANGES TO GIFT AID LEGISLATION**

### **Background**

A special exemption for heritage and conservation charities was introduced in Finance Act 1989. Prior to the introduction of legislation, a number of such charities had been accepted as being eligible for tax effective covenanting - though in strictness they breached rules on consideration received by donors.

It became clear that this informal position was untenable and legislation was introduced in Section 59 Finance Act 1989 to legitimise their position. The legislation stated, broadly, that certain admission rights were not to be treated as consideration for the purposes of deeds of covenant.

The special exemption applied to the deed of covenant scheme but was imported into Gift Aid as part of the changes introduced in Finance Act 2000.

### **Current legislation**

Section 25 Finance Act 1990 provides the detailed rules on relief for gifts to charity by individuals. Relief is available where gifts are 'qualifying donations'. Section 25(2)(e) stipulates that the donor, or any connected person, cannot receive in return for the donation benefits outside of prescribed limits.

The prescribed limits are:

- gifts up to £100 - 25 per cent of the amount of the gift;
- gifts exceeding £100 but not exceeding £1,000 - £25;
- gifts exceeding £1,000 - 2.5 per cent of the amount of the gift with an overriding cap of £250.

Section 25(5E) provides a special exemption for certain charities preventing any benefit consisting of a right of admission to view certain charity property from being taken into account as a benefit.

Section 25(5F) specifies the charities that benefit from the special exemption. Broadly they must have as their sole or main purpose the preservation of property or the conservation of wildlife, for the public benefit.

## **Changes**

The special concession was designed to allow committed donors to see the use to which their donations were put. Deeds of covenant were taken out for a minimum period of 3 years. The result of importing the special exemption into Gift Aid in its pre-existing form has been that there is no longer any effective requirement for ongoing, committed giving. One-off gifts are eligible for relief and the removal of the minimum donation requirement under Gift Aid means that charities can claim on any amount where the tax at stake outweighs the costs of claiming it. Consequently, an admission payment can, within the rules, be re-labelled as a gift in return for which free admission is provided – thus making the admission payment eligible for Gift Aid if the admission granted meets the terms of Section 25(5E).

The Finance Act 2000 changes unintentionally made the special exemption far more generous. The original intention was to ensure that those charities benefiting from the special exemption under the covenant scheme could continue to do so under Gift Aid in analogous circumstances.

The proposed new legislation will ensure that the special exemption operates as it was originally intended, in circumstances analogous to those under deed of covenant. The granting of a right of admission to view property of a charity whose main or sole purpose is the preservation of heritage or the conservation of wildlife, will be disregarded for the purposes of establishing if a donor has received a benefit related to the donation. But this right of admission will be ignored only where it is for not less than a specified period of, say, 12 months, and where there is no restriction on the number of visits that can be made within the specified period of the membership.

There are no plans to change the general rules with respect to benefits received in return for donations.