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**Date** 29 March 2004  
**Our Ref**  
**Your Ref**

Dear

#### **GIFT AID AND ADMISSION CHARGES**

In the Budget Report the Chancellor announced that the Government would continue to consult with charities to develop a new definition of the special statutory exemption for heritage and conservation charities. The special exemption allows the right of free admission to be disregarded as a benefit for the purposes of Gift Aid, where the charity's sole or main object is the preservation of heritage property or the conservation of wildlife.

Paragraph 5.77 of the Budget Report states that: "The Government announced in the Pre-Budget Report that it would consult charities on an amendment to the special exemption in the Gift Aid rules which allows certain heritage and conservation charities to offer free admission in return for a donation which attracts Gift Aid. Gift Aid is designed to promote giving to charity by individuals but, by simply reclassifying admission fees as donations on which Gift Aid is then claimed, these schemes do not generate additional giving. The Government has received a number of representations from the charitable sector in response and recognises the concerns expressed. It will continue this consultation to

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Director: Gabs Makhoulf

determine a way forward that preserves the principles and intentions of Gift Aid while dealing sympathetically with the charities affected by the proposed change. It will work closely with the heritage and conservation sector to complete the consultation on developing a new definition of the special exemption. It aims to announce the results of the consultation around the time of the Spending review giving charities the opportunity to take account of the changes in their financial planning, alongside the wider Government support for this sector which is now worth over £2 billion a year."

The Government recognises that heritage and conservation charities are different from others in the sector and rely on visitors for much of their income. The Government is not seeking to remove the ability of charities to raise income from visitors but wants to focus efforts on encouraging new donations in line with the underlying principles of the Gift Aid scheme – to promote additional giving to charity. We do not believe that existing day memberships schemes generally give rise to additional giving and are now looking to explore in more detail with charities and their representative bodies how this might best be achieved.

The responses from charities and their representative bodies, both in writing and from our meetings has thrown up various ideas as to how the proposed changes might be implemented. The aim is to replace the existing exemption with an approach that allows Gift Aid to be claimed where there is a genuine donation above the normal admission charge and some indication of an ongoing commitment or relationship between the donor and the charity.

- Gift Aid is about encouraging additional donations to charity – the donor should clearly be giving more to the charity than simply paying the equivalent of an admission charge. How much more than the normal admission charge should a payment be for the whole amount to qualify as a donation? Many season tickets seem to be priced at around three times the normal day admission charge. Would it be appropriate to follow this practice and say that the payment should be at least three times the normal admission charge? Or is there a case to be made for a lower amount such as twice the normal admission charge?
- The commitment or relationship might be most obviously demonstrated by a period of membership during which free admission would be available. What minimum period would be sufficient to demonstrate an ongoing commitment: 1 year, 6 months, 3 months or less? Are there other ways in which an ongoing relationship or commitment could be demonstrated?

Do you have any other ideas on an approach that would address the concerns of heritage and conservation charities while meeting the principles of the Gift Aid scheme?

We are seeking views from any charity likely to be affected by a change to the statutory exemption. In the meantime we will also be contacting representative bodies and associations from the heritage and conservation sectors to arrange meetings to discuss the issues raised.

You should let us have your individual responses by 11 June 2004. Please send them to:

**Tom Parsons**  
**IR Charities**  
**Room 108**  
**New Wing**  
**Somerset House**  
**Strand**  
**London WC2R 1LB**

Or e-mail: [Tom.Parsons@ir.gsi.gov.uk](mailto:Tom.Parsons@ir.gsi.gov.uk)

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mark Nellthorp', written in a cursive style.

**MARK NELLTHORP**  
Business Director, IR Charities