

Information Relating to Gift Aid

3.43 Educational school trips

3.43.1 HM Revenue & Customs Charities received approaches from schools and PTA's enquiring if Gift Aid could be used in respect of voluntary contributions toward educational school trips.

3.43.2 The following text has been passed to the Department of Education and is to be included in advice issued by the department to schools.

In schools, other than independent schools, the education provided wholly or mainly during school hours is free. This means that head teachers may not impose a charge on parents for any visit that is undertaken as part of the National Curriculum and occurs during school hours. The head teacher may, however, ask for a voluntary contribution.

Parents must be made aware that the contribution is not compulsory, and the children of parents who do not contribute may not be discriminated against. It is permissible for the school to ask parents to contribute more than the minimum amount in order to subsidise those pupils whose parents have not contributed. However, if there are not enough voluntary contributions and the shortfall cannot be made up, the visit may have to be cancelled.

Gift Aid

Voluntary parental contributions to charitable schools or charities associated with LEA schools to assist schools to send pupils on educational school trips in school time may be eligible for tax relief under the Gift Aid scheme, provided the usual requirements of the scheme are satisfied and in particular:

- Parental contributions are made on the basis that they are not refundable (and are not in any event refunded) if the trip does not go ahead or if their child does not go on the trip
- Any benefit arising from the school trip does not exceed the maximum level of permissible benefit for the donation.

For a donation of £0 - £100 the value of the benefits must not exceed 25% of the donation. For a donation of £101 - £1000 the value of the benefits must not exceed £25.

Benefits include travel costs, trip insurance, cost of entry and associated educational material, cost of food and drink supplied and any other costs associated with the trip (costs averaged per pupil if appropriate).

In general, however, it is likely that the benefits associated with a school trip contribution will exceed the maximum level of permissible benefits and so the donation will not come within the Gift Aid scheme.

Example 1

The cost of an educational trip to a local museum amounts to £8 (transport £5 entry £2 and brochure £1). The school asks for a voluntary contribution of £10. The payment of £10 cannot be made under the Gift aid scheme as the benefit of £8 exceeds the 25% limit (80%).

However, provided the requested contribution is not less than the benefits, any payment in excess of the requested contribution can be Gift Aided.

Example 2

The position is the same as in example 1 but a parent makes a voluntary contribution of £15 instead of the requested £10. The additional £5 can be made as a Gift Aid payment.

3.45 Educational Trusts

3.45.1 HM Revenue & Customs has been approached by a number of educational trusts for clarification of position of parents and persons connected to them making Gift Aid payments to such trusts.

3.45.2 Invariably the Trust is established to provide education for children as an alternative to State education. Whilst parents may pay for text books, exercise books, exam fees and consumable materials, they are not required to pay any fees to cover the costs of tuition and other overheads.

3.45.3 HM Revenue & Customs view of payments made by parents and persons connected to them, to such trusts, under the Gift Aid scheme is that the benefit the donor or someone connected to them receives will generally be in excess of the benefit limits.

3.45.4 HM Revenue & Customs view is based on the fact that there is a cost in providing education for the child and this cost is met in consequence of the Gift Aid payments being made. This includes the cost of tuition, heating and lighting of premises and other administrative costs, which would be taken into account by a private school in setting fees.

3.45.5 In situations where the trust has a genuine fee structure in place i.e. fees are charged in respect of all students and the fees are set at such a level that enables the trust to operate without needing additional support, HM Revenue & Customs would accept that the benefit of receiving education arises from payment of the fees. Consequently, the receipt of education would not be received as a consequence of making donations over and above the fees and so those donations could qualify for Gift Aid.

3.45.6 Where there is no fee structure or only nominal fees are charged, insufficient to enable the trust to operate without additional donations we do not accept that the additional donations give rise to no benefit. In considering whether the level of fees was sufficient to cover operating costs we accept that trusts should be allowed to take account of reliable, ongoing income sources such as endowments, but not one-off or periodic donations where no binding commitment exists.

3.52 Charity Events

3.52.1 Charities often hold events (dinners, concerts, firework displays, etc.) to raise funds and ask whether all or part of the payment to attend the event can be Gift Aided.

3.52.2 To be eligible for the Gift Aid scheme a payment must be a freewill gift to charity, that is, there must be no compulsion about making the payment. So the payment must be a wholly voluntary payment and not linked to attendance at the event.

3.52.3 A payment to purchase a ticket (or an admission charge) to attend a charity event is not a gift to charity but the purchase of a right to attend the event. Without buying a ticket you cannot attend the event, so there is no freewill in making a payment - that is, you must pay the ticket price to attend the event. Such payments are not eligible for Gift Aid.

3.52.4 In the same way a payment described as 'minimum donation' or a 'donation' to attend an event is not a freewill payment. Again, you must make the payment to attend the event. The 'minimum donation' or 'specified donation' is, in fact, an admission charge.

3.52.5 The following payments to attend an event are not gifts to charity:

- Payment to purchase a ticket.
- Payment to gain admission.
- A required minimum donation.
- A required specified donation.

All of the payments described must be paid in order to attend the event and so are not freewill gifts to charity. Such payments are not eligible for the Gift Aid scheme.

Ticket price plus a suggested donation

3.52.6 A charity can charge what it likes for a ticket to attend its event. However, it should not put the charity's funds at risk and, therefore, should set the ticket price at a level to at least recover its costs.

3.52.7 A charity can, therefore, charge a set ticket price (not Gift Aidable) and, in addition, request a donation that can be Gift Aided. However, any suggested donation:

- Must not be compulsory such that it has to be paid, in addition to the set ticket price, to attend the event. That is, the payer must be able to pay only the ticket price to attend the event; and
- The payer must be aware of that at the time he makes the suggested donation (the ticket and/or event literature must make it clear).

3.52.8 As explained earlier, a payment described as a 'minimum donation' or a 'specified donation' that has to be paid in addition to the set ticket price is not a freewill gift and cannot be Gift Aided. In these circumstances, the set ticket price plus the minimum donation or the specified donation is the actual ticket price and no part of the payment made (ticket price plus minimum/specified donation) can be Gift Aided.

Examples

A charity organises a dinner dance and incurs the following costs:

Hire of venue = £1,000
Catering costs = £3,000
Orchestra/singer = £2,000
Total costs = £6,000

The proposed number of attendees is 100 and the charity wants to make (say) £4,000 on the event.

The cost per attendee is £60 (£6,000 / 100) and so the charity is looking at a set ticket price at £100.

Example 1

The charity charges £100 for each ticket.

There is no gift to charity, all the proceeds (£10,000) are from ticket sales and none qualify as Gift Aid payments.

Note: Sometimes a charity seeks to claim Gift Aid on the £4,000 (£40 per person) on the basis that the amount over and above the costs is a donation. However, the £4,000 (proceeds £10,000 less costs £6,000) is a profit and not a donation.

Example 2

The charity charges £65 per ticket and also asks for a minimum donation of £35.

To attend the dinner an attendee must pay £100 (£65 + the minimum donation of £35). You cannot attend by only paying £65.

There is no gift, the whole of the £100 is a compulsory payment to attend the dinner and no part of it is eligible for the Gift Aid scheme. Any voluntary donations over and above the compulsory £35 will be eligible for Gift Aid.

Example 3

The charity charges £80 per ticket and, in addition, asks for a suggested donation of £20. The charity makes it clear on the back of the ticket that the £20 is only a suggested donation and that attendance at the dinner can be obtained by only paying the set ticket price of £80.

The £80 paid for the ticket cannot be Gift Aided.

However, as the charity made it clear that a payment to attend the dinner was only £80 (the set cost of a ticket) then any payment made in excess of the £80 can be Gift Aided. So the suggested £20 donation or any other donation in excess of the £80 paid for a ticket can be Gift Aided.

Example 4

The charity charges £100 for each ticket. However, a benefactor pays the full cost (£6000) to the charity so that it can pay for the dinner.

For Gift Aid purposes, the situation is exactly the same as for Example 1.

Who meets or how the costs are met is not important when determining whether a payment to attend the dinner is a gift. The charge to attend the event remains at £100 even though the charity's cost are met by the benefactor. So none of the £100 payment can be Gift Aided.

Note: The benefactor has made a gift to the charity of £6,000 and so he can Gift Aid his £6,000 gift provided all the requirements of the Gift Aid scheme are satisfied. Any free tickets (£100 each) given to the benefactor are benefits for the purposes of the Gift Aid benefit limit (£150 for a £6000 donation) - so 1 free ticket valued at £100 is within the Gift Aid benefit limit.

Example 5

The charity charges £100 for each ticket. However, the venue/orchestra/caterer all waive their charges and so it costs the charity nothing to put on the dinner dance.

None of the £100 paid can be Gift Aided as it is a payment to purchase a ticket to attend the dinner.

Unlike example 4, the venue/orchestra/caterer cannot Gift Aid their contributions because they have not made any payments to charity but simply waived their fees.

Example 6

The charity decides that it will not make any charge to attend the event and will rely on expected donations to more than cover costs.

Charity trustees are obliged to take proper care of charity funds and not expose them to undue risk. Any trustees considering this kind of approach would have to be able to demonstrate that they had made a properly informed and considered decision that a better return on funds laid out could be achieved by not charging for tickets. Failure to do this could result in the costs being treated as non-charitable expenditure and the trustees being personally liable for any loss of funds. Professional advice should be taken before embarking upon such a course. Donations received in such circumstances would be eligible for Gift Aid.