

Gift Aid on membership subscriptions in the arts & culture sector



Many of these membership type packages provide a variety of benefits, such as priority bookings for a theatre, entry to visit a heritage site, invitations to private events at an art gallery or discounts at a museum gift shop. These schemes could be eligible to claim a 25% Gift Aid repayment, even where members receive a range of benefits from the charity in return for their subscriptions.

In principle, Gift Aid can only be claimed on donations. Payments to a charity for the purpose of acquiring goods and services are not donations, but a charity may also provide token benefits to a donor in consequence of their donation.

Determine eligibility

So how do we determine whether a charity membership is a payment for goods and services (on which Gift Aid cannot be claimed) or a donation with token benefits provided to the donor (on which Gift Aid can be claimed)?

Generally, this is determined by comparing the value of the benefits package with the amount of the membership subscription. A membership subscription will usually be eligible for Gift Aid if the total value of the membership benefits is within the following limits (applicable from 6 April 2019):

- For membership subscriptions of £0-100: 25% of the subscription amount
- For membership subscriptions greater than £100: 25% of the first £100 plus 5% of the amount above £100
- The maximum limit is £2,500.

For example, an individual pays £70 for a charity membership and in return receives a book which normally retails for £10 plus an invitation to an event which costs £5 to non-members. As the total value of the benefits (£15) is no more than 25% of the membership subscription (£70), the whole subscription is eligible for Gift Aid and the charity can claim an additional £17.50 (i.e. £70 x 25%) Gift Aid repayment from HM Revenue and Customs.

Membership, supporter and friends scheme subscriptions are a useful source of income for charities in the arts & culture sector.

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Valuing the benefits

In most cases, the value of a benefit for Gift Aid purposes is taken as the sale price to the public of the same item, although there are numerous exceptions.

Benefits with nil value

Some membership benefits can be treated as having nil value for Gift Aid purposes (subject to certain conditions). These may include:

- Voting rights and the right to attend the charity's AGM
- Literature which describes or promotes the charity's work
- Priority bookings for events
- Annual right of admission to view charity property
- Acknowledgement of the member's donations

Discounts

If discounts on goods and services are provided to members, these are valued on the take-up of the discounts averaged across all of the members (including members who do not claim any discounts). The charity must keep complete records of the discounts claimed.

Events

If the membership package includes tickets to an event, the value will be the price that the same tickets are sold for to the public. If tickets to the event are not sold to the public and there is no comparable ticketed event, then the value should be based on the cost to the charity of the event and the number of people in attendance.

How can we help?

Ask arts & culture charities why they value us, and they will say it is our empathy with their work and understanding of the legal and accounting framework within which they must now operate.

For further guidance and advice tailored to your situation, please get in touch with your usual Buzzacott contact or:

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Split payments

If the total value of membership benefits exceeds the limits above, it may still be possible to 'split' the membership into two amounts – one to cover the cost of the benefits and one as a donation. This can be done if:

- The benefit can be purchased separately.
- The donor is aware of the value of the benefit at the time the donation is made.

The payment for the benefits will be subject to VAT (depending on the type of benefits provided) and will not be eligible for Gift Aid. The donation element will not be subject to VAT and will be eligible for Gift Aid.

Optimise the value of Gift Aid

With suitable planning, a charity membership scheme can be structured to optimise the value of Gift Aid. For example, certain membership benefits can be sold separately from the membership subscription, or a charity can set up a range of membership options such as gold/silver/bronze membership schemes with different subscription rates. However, charities should be mindful of any VAT implications when making changes to their membership schemes.

Gift Aid declarations

In the same way as with other donations, a valid Gift Aid declaration must be collected in order for the charity to make a Gift Aid claim for a membership subscription. The declaration can be made on paper, online or orally, and is usually completed as part of the subscription process. Gift Aid must be claimed within four years from the end of the accounting period (for charitable companies) or tax year (for charitable trusts) in which the subscription was received. We would encourage membership charities to review their subscriptions as soon as possible to ensure that Gift Aid opportunities are not missed.