



**HMRC Charities**

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Dear Ken

As a result of increasingly creative proposals with regard to the application of the revised rules on Gift Aid and day admissions, we have sought advice on the strict legal position concerning annual membership and reduced rate admissions. The following is provided by way of additional clarification and supercedes all advice previously given.

Schemes have been described to us under which day visitors would be invited to make a 'donation' equal to the cost of a day admission ticket. In return, they would receive an annual membership, which would allow them 'free' admission on the day they made their donation and then unlimited entry for the following twelve months on payment of a reduced fee.

At one extreme, the proposed scheme might operate along the following lines:

A charity normally charges say £10 for the right admission to view say a building preserved in pursuance of its charitable purposes. As an alternative, in return for a 'donation' of £10 the charity offers an annual membership giving a right of admission for 12 months. That right being exercisable on the first occasion without payment of an admission fee and on subsequent occasions upon payment of a reduced fee of £9.99.

This scheme would in effect be trying to secure Gift Aid on the normal admission charge of £10 without the 10% uplift and without doing anything significant to encourage access beyond the first day. This is clearly not operating the rules in the way intended.

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

Business Director: Mark Nellthorp



Further analysis reveals that it also goes beyond what the legislation allows. The legislation requires that the annual right of admission must be without payment of the admission fee **or** on payment of a reduced fee. We will shortly be issuing supplementary guidance to this effect.

In the above scenario, to qualify for Gift Aid, the charity (in return for the £10 annual fee) would have to charge either no admission fee throughout the year **or** a standard reduced fee throughout the year - not a mixture of both. That is to say, the same reduced fee (or no fee) must be charged for the first and all subsequent visits – in addition to the annual membership fee. Where annual membership secures a right to reduced rate admission, it is only the membership fee and not any subsequent reduced rate payments for admission that will qualify for Gift Aid.

The rules in this area were changed because of charities pushing hard at the boundaries of an existing relief. Following consultation, we have new rules that extend the scope of the relief but make clearer the purpose of the relief. We had hoped that lessons would be learned from this experience by those most closely affected. We had thought that charities would not want to jeopardise the continuation of this special relief by again seeking ways to stretch the limits of its application - acting outside the spirit of the law. In general, HMRC Charities will try to be as flexible and accommodating as possible in its application of the law to charities. Our main aim is to encourage genuine tax efficient giving. We cannot, however, condone or support charities seeking to exploit reliefs in unintended ways.

Yours sincerely



**MARK NELLTHORP**  
**HEAD OF HMRC CHARITIES**