NMDC response to HM Treasury Gift Aid Consultation
September 2007

A. Introduction:

The NMDC represents the leaders of the UK's national collections, including the National Archives, the British Library and the national museums and galleries in England, Scotland, Wales and Northern Ireland. We represent the interests of national museums and archives to government and other stakeholders and play a key role in the development of the work of our members and their contribution to society and the economy. Further information about the NMDC can be found on our website: www.nationalmuseums.org.uk.

Our members have benefited hugely from the introduction of Gift Aid[1]. We welcome the opportunity to respond to this consultation and to assist HM Treasury in ensuring museums and galleries are able to make ever greater use of the scheme.

B. Making Gift Aid work more effectively for museums:

Below, we set out the reasons that museums are not able to claim Gift Aid on more of their donations, or to use Gift Aid more successfully to build relationships with donors and offer some recommendations which would enable museums to use Gift Aid more effectively.

1. **Applicable only to UK tax payers:** A significant proportion of donors to UK museums are not UK tax payers, including a large percentage of visitors who are not UK residents[2]. So a sizeable proportion of donations to UK museums do not qualify for Gift Aid.

2. **Restrictions on benefits to donors:** Gift Aid legislation places restrictions on the benefits that can be offered to donors whose donations are gift-aided. NMDC members appreciate the raising of benefit levels in the last Budget to following levels:

Value of Donation	Benefit
Less than £100	25% of the donation
£100 to £1000	£25
Over £1000	5% up to a maximum of £500

[1] For instance, in 2006/7, the Natural History Museum received an additional £112,387 via Gift Aid.
[2] For instance, in 2006/7, 67% of 4,903,000 visitors to the British Museum were from overseas.

However NMDC members are reporting that these levels are still proving restrictive in attracting and retaining donors. We recognise the need to protect public funds from subsidising gifts to the wealthy, but believe some minor adjustments to the restrictions on benefits to donors could significantly improve museums' ability to raise private funds to support the national collections for the public benefit.

a.) Friends schemes: The benefit levels inhibit museums' ability to offer attractive 'friends' packages. Whilst the admission of the scheme member or partner (or family members for a family scheme) is accepted as a benefit, the admission of an unnamed guest with a 'friend' is not permissible under Gift Aid rules. V&A research suggests that this is one of the most valued benefits requested by members as people like to bring a guest to exhibitions.

Recommendation: *The restriction in the Revenue's rules to a member's spouse, partner or family member should be removed to allow unnamed persons to attend as their guests.*

b.) Major donors: In attracting and persuading major donors to go on to make further gifts to the museum, the upper limit of £500 in benefits can be inadequate. For instance if a donor gifts £5 million to a museum to fund a new gallery they are unable to then use that new gallery to host a party even if they were to cover any direct costs (catering and security), since the potential hire value of that gallery far exceeds the £500 benefits limit. The limit impedes a museums ability to build relationships with wealthy philanthropists and should be re-examined if the government is serious about attracting more private funding to the museums' sector.

Recommendation: *NMDC asks HM Treasury to consider allowing either an uncapped percentage of donation in benefit to donor. Or for separate benefit levels for major donors and patrons such as a number of dinners for the donor and his immediate family in any one financial year and the free use by the donor of a room at the museum for a private event.*

3. **Administering Gift Aid:** It should be recognised that it is not always cost effective for museums to claim Gift Aid. For instance it is often not financially prudent to employ dedicated front-of-house staff to encourage and facilitate visitors to complete a Gift Aid form for their cash donations. Such donations tend to be low value and, as explained above, many of the visitors are not UK tax payers.

4. **Recovering Gift Aid on ticket sales:** HMRC places restrictions upon when Gift Aid can be used which has a particular impact on museums, for instance in relation to exhibition ticket sales. The majority of exhibition ticket sales are ineligible for Gift Aid because they contain objects on loan to the museum. These restrictions contribute to a sense of confusion as to when Gift Aid is recoverable upon ticket sales.

   For those exhibition ticket sales that do fall within the permissible guidelines, HMRC's gift aid scheme allows a charity to reclaim gift aid on ticket admission only if the purchaser satisfies two main conditions:

a. (S)he is willing to pay a 10% premium to the normal ticket price.
b. (S)he signs a gift aid declaration

Many museums therefore choose not to recover Gift Aid on any ticket sales, firstly because there is a lack of clarity as to when it is permissible, but also because of the difficulty of convincing people to pay a differential price and the administrative burden of collecting gift aid information in a ticket queue.

Recommendation: *The rules should be simplified with so that either all exhibition ticket sales can be gift aided, or none at all.*

Recommendation: *If HM Treasury does choose to enable museums to claim gift aid on exhibition ticket sales, the 10% premium on ticket price should be removed..*

5. **Rate of Tax Relief:** The rate of tax relief for gift aid (currently 28p in £1 for charities) is based on the 22% basic rate of tax. The Treasury has announced that this rate will fall to 20% from 6 April 2008. It should be noted that a direct consequence of this is that the rate of tax relief that charities receive will fall from 28p to 25p for each £1 of eligible donation (a decrease of 10.7%).

C. Extending tax incentives to gifts of objects:

The NMDC would welcome consideration of extension of tax incentives to cover gifts of objects as well as cash. At present objects can be gifted to museums and archives in lieu of inheritance tax when somebody dies and gifts of cash and shares benefit from tax relief in the form of Gift Aid.Offering tax relief on gifts of objects to public collections would be a logical extension of current tax policy.

Museums and archives do not wish to acquire 'too much stuff'[3], but they are firmly committed to building and maintaining collections that tell the story of the nation, drive the creative economy, foster international relations and have the power to inspire, inform and transform lives.

Donations of objects are an important way of building relations with donors, particularly a new generation of potential philanthropists with impressive collections of contemporary objects and a keen interest in art and design. Once engaged, these new donors may then go on to bigger or subsequent donations, for example capital projects for the galleries that house the donated objects. It would also provide regional and smaller museums with the opportunity to build collections in the absence of a large acquisition budget, by building relationships with local philanthropists and collectors.

Recommendation: *As a next step in developing the ability of museums to encourage giving, incentives to encourage gifts of objects should be considered by HM Treasury.*

[3] Mark Jones (2003) *Too Much Stuff*, NMDC