



# **Voluntary Contributions**

## **A Review**

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# PRINCIPLES FOR CLAIMING GIFT AID

1. Donation must be voluntarily & willingly given by individual (no pressure or compulsion- option to give nothing)
2. No (Minimal) Benefit or Payment received by Individual/Donor
3. Must take utmost care with wording on ALL documentation, correspondence, emails, flyers, marketing material etc. (don't forget on Website too!)
4. Action by charity (must match the Wording)
5. Requests for Donations should not be for specific amounts e.g. £855.63 – HMRC will think (prima facie) an invoiced amount.







# CURRENT POSITION

Brought to our attention as a result of a school issuing a refund for voluntary contributions given by a parent. PaJeS formed a working party with key professionals from across the community.

The annual benefit to schools based on the HMRC calculation is £15m per annum but more likely closer to £30m.

HMRC strongly believe that they were/are still right due to:

1. In reality the donation is a “fee” based on “offensive” wording
2. Benefit to donor parents as a result of tuition
3. Compulsory as without the donation there would be no kodesh

Therefore HMRC feel that they are not precluded from challenging schools where they consider has been ‘gift aid abuse’.



# THE 'DO'S'

1. Make sure that your documentation states clearly
  - a) that the contribution is for the **benefit of the school** or any school activities
  - b) that there is **no obligation** to make any contribution, and
  - c) that **pupils at the school will not be treated differently** according to whether or not their parents have made any contribution in response to the request or invitation. Use those express words and make sure they appear on all follow-up letters.
  
2. Consider your policy about the use of standing orders and direct debits. The guidance does not prohibit their use but says that mandates should not be sent with a request for contributions. *Consider sending them separately or inviting parents to ask for them if they wish to pay in this way.*





# THE 'DON'TS'

- Ever send anything that resembles a **statement of account or invoice**.
- Ever use **different colour paper** for requests
- Identify Kodesh/Jewish Studies and Ivrit costs as the purpose of the request.

That risks the request being interpreted as charging for that provision which is unlawful. You can refer to the higher level of provision by comparison with other state-funded schools but ask for contributions to go towards the general cost of running the school.

## **Problematic wording:**

“where significant financial struggle”

“**make allowance for those that cannot afford to contribute**”

“parent should approach the school... discuss with Mrs”

*“Please log on to settle your balance”*

“contributions represent 100% of the Kodesh budget”



# GENERAL RECCOMENDATIONS

1. Look at how you manage your funding streams. Many schools collect their voluntary contributions through a **separate charity** which may be the school foundation body or a separate charitable trust. That is **good practice**, although the rules relating to voluntary contributions still have to be complied with.

2. Pay all school operating expenses including all salaries out of the school's general budget. Use parent income to cover what would otherwise be a deficit budget. Hold back the voluntary contributions and only pay them over to the school as and when the school's cash flow requires it.

3.Ensure that the projections for collection are robust to answer concerns about the ability of the school to meet its costs.



## Gift Aid 10 Commandments *for State Schools*

### BETWEEN PARENTS AND SCHOOL:

- 1.** You shall ensure that you (or any relative) only claim Gift Aid tax relief on donations to the school to cover educational activities and lessons within the school day or to a school building fund.
- 2.** You (or any relative) shall not claim Gift Aid on extra-curricular after-school clubs or school trips, or on fees charged by private schools.
- 3.** You shall realise that amounts requested by the school are only a suggested amount to donate – you can give less or nothing at all.
- 4.** You shall not be obligated or put under pressure to make a donation (voluntary really does mean voluntary).
- 5.** You shall realise that if you don't support your child's school – who will, so please do give generously.

### BETWEEN PARENTS AND SCHOOL:

- 6.** You shall ensure that pupils at the school will not be treated differently according to whether or not their parents have made any contribution in response to the request or invitation.
- 7.** You shall ensure that the express words in Commandment 6 (and also the fact there is no obligation to make any donation) are specifically and clearly stated on all correspondence, literature, the school's website, at 'open days' and that they appear on all follow-up letters.
- 8.** You shall not issue invoices or a statement of account.
- 9.** You shall not make any refunds (ever).
- 10.** You shall ideally have an independent charitable trust in place to receive the donations (which can then fund the school's costs).



# FURTHER READING

18 Charity tax

18 October 2018 TAXATION

## Lesson learned

**Charles Pascoe** relates the story of state schools, religious tuition and gift aid.

**F**or more than three years, HMRC had been arguing with several state schools that gift aid tax relief was not available on voluntary donations (referred to as 'voluntary contributions' in the Education Act 1996) made by parents – or any relative – for the religious tuition given to their children.

Last autumn HMRC confirmed it would not pursue this matter any further, at least for the time being.



back gift aid refunds from earlier years when the claims were

## SK STONE KING

### VOLUNTARY CONTRIBUTIONS – THE DO'S AND DON'TS

We see many examples of bad practice in letters and other documents used by schools in collecting voluntary contributions. Quite apart from any gift aid ramifications, much of what we see breaches the law applicable to publicly-funded schools – VA and academies – and makes the request unlawful. The following reflects the guidance issued by DfE. It focuses on school visits and activities but it applies equally to the purposes for which Jewish schools characteristically ask for money.

10 JULY 2019

5779 תמוז ת'ש

CHARITY FEATURE

37 JT

## Ensuring that gift aid tax relief is retained on parental donations (contributions)

CHARITY LAW – STATE SCHOOLS  
CHARLES PASCOE

PART 2