

Scottish Government Charities Exemption Scheme

FAQ

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What is the exemption scheme?

The Scottish Government launched a new scheme in 2015 which provides exemption from water and wastewater bills to charities registered with the Scottish Charity Regulator (OSCR) and Community Amateur Sports Clubs (CASCs) registered as such with HMRC.

There are specific criteria that must be met in order to be eligible for exemption, set out in letters to the Infrastructure and Capital Investment Committee.

Any organisation eligible under the historical scheme, that did not apply to be included on the new scheme or did not meet the new criteria are being phased back to full charges by 2017/18.

Organisations that qualify for the scheme will receive full or partial exemption from water and wastewater charges for 12 months (from 1 April to 31 March the next year), provided they continue to be a charity or CASC. Organisations will need to apply to be in the scheme each year, and this means that an organisation that is not successful in one year may qualify in the future.

When should organisations apply?

Organisations will need to submit applications to their licensed providers and will receive full or part exemption from charges from April 2016, provided a successful application is received by March 2017. Applications can be made in advanced of the next tariff year as soon as the relevant accounts are available on the OSCR website.

Am I eligible?

The exemption scheme has qualification requirements and is not available to all customers.

Support will be available to charities registered with OSCR and CASCs that have gross annual income below £300,000.

Charities and CASCs will not be eligible for charitable exemption if one or more of the following conditions are met:

- a permanent alcohol licence is held, other than an occasional permission under the Licensing (Scotland) Act 2005 or its predecessors; or

- the premises is a charity shop or other premises used for purpose of retailing new or second hand merchandise; or
- the premises operates as a café which is open to the public and operated on a regular basis to generate income; or
- the organisation is a Local Authority or an Arms-Length External Organisation (ALEO).

Eligible organisations will receive support from the 1st April, as long as the application is submitted to Scottish Water by 31st March of the tariff year being applied for and meets the scheme requirements.

The following definitions are intended to help you decide if your organisation is not covered by one of the excluded categories:

- Permanent Alcohol Licence - A premises licence under Part 3 of the Licensing (Scotland) Act 2005.
- Café – a café or food retail outlet which is open to the public with the primary purpose of selling food and/or beverages for consumption either on or off the premises. This exclusion does not relate to situations where premises are used for occasional coffee mornings or bake sales, or where facilities have been set up by a charity to be used by its volunteers.
- Retail outlet – a shop or warehouse which has the primary purpose of selling new and/or recycled or donated goods to customers either directly or via mail order.
- ALEOs are arm's-length external organisations that can be used by councils to deliver services. ALEOs are companies, trusts and other bodies that are separate from the Local Authority but are subject to local authority control or influence. Control or influence can be through the council having representatives on the board of the organisation, and/or through the council being a main funder of shareholder of the organisation. The full definition is available in an Audit Scotland report at http://www.audit-scotland.gov.uk/docs/local/2011/nr_110616_aleos.pdf

Examples of an organisation operating a café:

Exempt

- Where the café is an integral part of the charity's service and where food and beverages are not sold for the purposes of making a profit – for example a counselling service or church outreach work
- Where the café is operated on an occasional basis – that is no more than half of any week on average – for example fund-raising coffee mornings, bake-sales etc
- Where the café is provided principally for the benefit of volunteers and beneficiaries of the charity's services – for example kitchens/cafeteria associated with a place of work

Not Exempt

- Where the café is open on a full-time basis (that is for more than half of the week on average), is open to the public and where food and beverages are sold for the purposes of making a profit

Examples of an organisation operating a retail outlet:

Exempt

- Miscellaneous items sold in support of activities carried out by charity/CASC where the small number of items sold does not require a dedicated retail space
- Properties that have tuck shops - Unless shop is open permanently in its own dedicated space
- Memorabilia sold to the general public either on site or online that are unique to the charity/CASC.

Not Exempt

- Property has a dedicated space that sells new or second-hand goods – for example a charity shop or gift shop
- Property is rented as holiday home/accommodation

Why does running a café or carrying out retail activity exclude me from the scheme?

A café open regularly to the public, or the retail of new/second-hand goods, may be in competition with other local businesses. Exemption will not be granted in such cases in order that charities/CASCs do not have an unfair advantage.

I no longer have a Permanent Alcohol Licence, can I apply for exemption and what date will this be effective from?

Yes. Exemption will be applied from the date(as confirmed by the Licensing Board) that the charity or CASC revokes their Permanent Alcohol Licence. You will need to accompany your application with a letter from the licencing board confirming the license has been cancelled.

What level of exemption am I eligible for?

The level of support depends on the level of an organisation's income and whether it is already exempt under the existing scheme. If the organisation is not currently exempt but qualifies for exemption under the new scheme, it will receive the following support.

Income	Support provided to Charity / CASC
Up to and including £200,000	Exempt
More than £200,000 up to £300,000	Support equivalent to 50% off wholesale charge
£300,000 and over	No support

Who will support me with my application?

Licensed Providers will provide support to their customers through the application process and review the submitted materials before sending them on to Scottish Water to make the final decision on whether the organisation is eligible for relief.

My organisation is not a charity or CASC – can it still qualify for exemption?

If an organisation is not a charity or CASC, but thinks that they could qualify and then benefit from the support offered by the scheme, they should contact their local Third Sector Interface for advice on how to become a charity or CASC. Contact details are available at: <http://www.scotland.gov.uk/Topics/People/15300/Localism/> and at <http://www.vascotland.org/>.

Further information about becoming a charity is also available from the Office of the Scottish Charity Regulator. <http://www.oscr.org.uk/about-scottish-charities/becoming-a-charity/>.

What do I need to submit with my application?

The application will need to contain evidence that the occupier of the premises is a registered charity with OSCR or CASC with HMRC **and** may need to include evidence of its gross annual income as explained below.

Charities will be required to provide their Scottish Charity Number as evidence of their charity status. We will confirm CASC status by cross-checking details that are made publically available by HMRC.

Organisations registered as CASC's who do not yet appear on the HMRC CASC register should accompany their application with a copy of the letter from HMRC that confirms their CASC status

For evidence of income, charities' financial information will be checked against the Scottish Charity Register.

Because there is no publically available register of income for CASCs, accounts for the relevant financial year will need to be submitted by any CASC that is applying for the scheme. Accounts or a summary of income and expenditure should be provided along with an extract from the organisation's constitution, which identifies the financial records they are required to keep, signed by the office bearer with financial responsibility within the organisation.

Licensed Providers will not return any documents so only copies should be submitted. This information will only be used for assessing eligibility for the scheme, will be handled in confidence and will not be disclosed to other parties.

What happens if an organisation loses its Charity or CASC status?

When a charity no longer has charitable status or a CASC loses its status it will be removed from the exemption scheme from that date.

What happens for organisations that don't have accounts?

If the organisation is not required to keep accounts, a summary of income and expenditure should be provided along with an extract from the organisation's constitution, which identifies the financial records they are required to keep, signed by the office bearer with financial responsibility within the organisation.

New charities or CASCs which don't yet have accounts for the relevant financial year will need to make a declaration of expected income along with a copy of their budget or business case.

The application form should be signed by the office bearer with financial responsibility within the organisation.

What is my organisation's Gross Annual Income?

'Gross Annual Income' is the total annual income received for the relevant financial year being used to support the application (and declared by the Office of the Scottish Charity Regulator (OSCR) for charities or HMRC for CASCs) prior to the deduction of any expenditure for the premises. This will include all income, donations and grants received and you cannot make any deductions for donations made by your organisation to charities or money paid to parent bodies.

What set of accounts should I use in my application?

Accounts for the most recent financial year ending up until 30 June for the following April's exemption year should be used in the application process. The following table provides a summary of the first couple of year's accounting year ends that should be used in the new scheme. Thereafter the consecutive year's accounts should be applied.

Why is there a year's 'time lag' in the financial information used to apply?

Despite there being a slight time lag between accounts and the year to which exemption applies, by using the most recent set of accounts (until 30th June preceding the exemption year), all charities and CASCs will have sufficient time to apply for exemption before the start of the year. In the event that their income rises above the scheme limits, it also ensures that they have sufficient time to financially plan for a future loss of exemption in the subsequent exemption period.

Our application has been rejected using the relevant accounts. However the income for the most recent set of accounts is below the scheme limits. Can we apply to get into the scheme now using those most recent accounts?

The short answer is yes you can apply for the scheme, but as shown in the relevant financial year relationship below, you will be applying for exemption in a later year rather than the current year.

Relevant financial accounts for Exemption Scheme

Support provided between	Based on Charity's/ CASC's accounts for
1 st April 2018 and 31 st March 2019	Its most recent FY that ended prior to 1 July 2017.
1 st April 2019 and 31 st March 2020	Its most recent FY that ended prior to 1 July 2018.

Provided the organisation retains its charity or CASC status, support will be provided for the full year (1 April to 31 March) even if the more recent accounts, submitted to OSCCR or HMRC during the support year, indicate that revenue during the

organisation's most recent financial year is above the scheme limits (£200k and £300k). These more recent accounts will be used to determine the appropriate level of support in a subsequent year.

To be fair to other customers and taxpayers who are meeting the costs of the scheme, a charity or CASC which has been excluded from support because its revenue in the relevant year was beyond the scheme limits, will not receive support until the start of the next support year, even if more recent accounts, submitted to OSCCR or HMRC during the support year, show income within the scheme limits.

My organisation has changed its legal form to a Scottish Charitable Incorporated Organisation (SCIO) and now the gross income is over the threshold. Can I still apply?

Yes – When a charity changes its legal form to become SCIO they have to set up a new charity (the SCIO) and for many they will transfer all the assets and liabilities from the previous charity to it. This may result in the first year of income for that SCIO to be over the threshold. Given that the charity has changed its legal form rather than the nature of its business, exemption can still be applied for. In these instances additional information is required with the application to highlight that the income is over the threshold due to the organisation changing legal form to a SCIO. Details of the previous charity including the charity number should be provided. Full accounts for the appropriate tariff year should also be provided to support the application.

My organisation operates at multiple premises – does this affect my application process?

Support will be provided in relation to all premises that are occupied by a qualifying charity or CASC that does not have a permanent alcohol licence, is not involved in retailing, does not operate as a café or is not a Local Authority or an Arm's Length External Organisation. Separate applications should be made for each premises.

Support will not be provided in relation to a property that is owned by a qualifying charity or CASC but which is occupied by another organisation. The occupying organisation may apply for the scheme if it is a charity or CASC.

My organisation is formed as lots of individual charities which are grouped together under a single charity. This takes our gross income over the threshold. Can we still apply for exemption?

Umbrella Organisations that are registered as one charity with OSCCR but encompass a number of individual (and largely autonomous) groups, may find themselves ineligible for the scheme, as the income reported to OSCCR is for the single entity rather than individual properties. In order that these organisations are not disadvantaged, charities operating an umbrella type structure could benefit from exemption provided a breakdown can be supplied showing the audited income for each part of the constituent group, the associated properties together, with confirmation that the other criteria have been met. Exemption can be granted for

those parts of the groups which fall below the relevant thresholds and meet all other criteria.

In order to be recognised as an Umbrella Organisation for the purposes of this scheme, written confirmation for inclusion must be sought from the Scottish Government. - waterindustry@gov.scot

Qualifying umbrella organisations will need to submit only one application per tariff year rather than one per property. A breakdown must be provided with this application, which includes details of all properties within the organisation and the corresponding apportioned income for each. The total income of each property should equal the figure published on OSCR.

I am newly registered Charity/CASC, what date will my exemption start from?

If you are a newly registered Charity or CASC, exemption will be applied from the 1st of April of the tariff year in which your charitable/CASC status was approved. If you are a charity this approval will be obtained from OSCR. If you are a CASC this will be verified by HMRC. Newly registered CASC's may not yet show with HMRC so you should accompany your application with a copy of the letter granting your CASC status as evidence.

[Your organisations will be required to continue to pay water charges until it can demonstrate that charitable status has been achieved at which point a full refund for this financial year will be provided.](#)

My application has been accepted – what happens next?

If your application is accepted you will receive full or partial exemption from 1 April 2016. Any payments that you have made for services you have used since April 2016 will be refunded.

Because the scheme requires organisations to apply every year, you will need to submit an application form for the scheme for 2017-18. You can make that application once your accounts for the relevant year are ready. To qualify for the scheme in 2017-18 your application must be received by March 2018.

What can I do if I disagree with Scottish Water's decision?

If an application is rejected, it will be because the premises is in one of the excluded categories, or the organisation's gross income is more than £300,000. This will be explained in writing in the response. However, if you think a mistake has been made, the application should be resubmitted explaining which of the reasons provided is factually wrong and why.

Will the eligibility criteria change during the life of the scheme?

In line with Ministers' policy, the exemption scheme was reviewed at the end of the 2017-18 period. Details of this can be reviewed at - <https://beta.gov.scot/publications/water-sewerage-charges-exemption-scheme-review/>

I changed/moved premises, what date will my exemption start from?

Exemption will be applied from the date the charity or CASC occupies the property within the given Tariff year. If your previous premise was exempt then this will be transferred to your new property. You will need to apply advising of the moving date for this to take effect.

What happens if I don't receive a water bill?

You may not be receiving a water bill for a number of reasons. If you are not receiving a bill you may not know who your licensed provider is.

A possible reason for not receiving a water bill would be if your water charges are included in your rent. If they are included in the rent then you cannot benefit from the scheme, unless you are the occupier of the property and become directly responsible for the water bill.

If you are not receiving a water bill, but your water charges are **not** part of your rent and you are **not** in the current exemption scheme, then you may not have a licensed provider and you will need to pick one. That way you will avoid any surprises in the future. You can find details of how to select a licensed provider at <http://www.scotlandontap.gov.uk/> where you will also find information about how the water market operates in Scotland.

Successful organisations will receive support from the 1 April 2016, as long as the application is received by Scottish Water by 31 March 2017 and it meets the scheme requirements.