



Scottish Government Exemption Scheme Policy SW-WHPOL-SGES 2018 Policy

Owner	Grant McIntosh, Wholesale Revenue Team Leader
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Last Updated By	Grant McIntosh, Wholesale Revenue Team Leader
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1 Background

The purpose of this document is to provide clear guidelines on the replacement Scottish Government Exemption Scheme with respect to wholesale water and sewerage charges starting on 1st April 2015. The exemption scheme is available to non-household Supply Points who meet the eligibility criteria specified by the Scottish Government.

The scheme will be administered by the water industry on behalf of the Scottish Government.

This policy document provides details on how Scottish Water assesses the eligibility of applications from Licensed Providers for exemption in accordance with The Scottish Government Principles of Charging Statement 2015-21.

2 Related Documentation

The Scottish Government; General Statement of Policy – Principles of Charging for Water Services 2015-21

<http://www.scotland.gov.uk/Resource/0045/00459866.pdf>

Scottish Water's 2015 Exemption Scheme Guidance Notes - WR – SGES 2015 Guidance Notes v0.6 – 22.12.14

Scottish Water's template application form – SW-SGES 2015 Application Form v0.7 22.12.14

3 Qualification Criteria

Registered Charity or Community Amateur Sports Club (CASC)

The exemption scheme is restricted to organisations registered with the Office of the Scottish Charity Regulator (OSCR) as a charity or prescribed by HMRC as a Community Amateur Sports Club (CASC) operating in Scotland.

An application must be submitted in respect of every premises that is connected to public water and/or sewers and occupied by a Charity or CASC to carry out its day to day activities. Support will not be given where a Charity leases property it owns to another organisation on a commercial basis. This is considered retail activity.

Support will be removed with immediate effect from the date the OSCR/ HMRC advise the Charity/ CASC status no longer applies, or the organisation has ceased to operate.

Exclusions

The exemption scheme is not available to premises that are at any time during the relevant period:

- in possession of a permanent alcohol licence under Part 3 of the Licensing (Scotland) Act 2005, other than an occasional permission granted under the Licensing (Scotland) Act 2005; or
- has any part of the premises dedicated to the purpose of retailing new or second hand merchandise (either directly or via mail order) where the activity is, or would be in competition with other businesses; or operates as a café which is open to the public and operated on a regular basis to generate income. 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; or
- the organisation is a Local Authority or an Arms-Length External Organisation (ALEO) (as defined by Audit Scotland: http://www.audit-scotland.gov.uk/docs/local/2011/nr_110616_aleos.pdf)

Financial criteria

To qualify for the exemption scheme for the period 2015-21, subject to the conditions outlined above, the “Gross annual income” of the Charity or CASC must be less than £200,000 to receive full exemption. Those Charities or CASCs with gross incomes between £200,000 and £299,999.99 will receive a 50% discount on their **wholesale** water and sewerage charges. See **Appendix 1** for further details.

“Gross Annual Income” is the Total annual Income received for the relevant financial year being used to support the application (and declared by OSCR for Charities or HMRC for CASCs) prior to the deduction of any expenditure for the premises. Specifically donations to charities, money paid to parent bodies and grant awards are NOT allowable deductions.

Exemption or a reduction in charges in a given Tariff Year (1 April – 31 March) will be based on the Charity’s gross income published on OSCR’s website for its financial year that ended before 1 July of the previous year (Charities have 9 months in which to submit their accounts to OSCR). Support for 2015-16 will be based on gross income for an accounting year up to and including 30 June 2014. CASCs will have to submit accounts for their financial year that ended prior to 1 July of the previous year with the same support outlined above for

charities. See **Appendix 2** for further details. For Charities, financial support will not be granted until the relevant accounts have been submitted and verified by OSCR.

New Charities and CASCs are eligible to apply for inclusion in the scheme. Inclusion would be subject to the organisation making a declaration regarding expected revenue, supported by income forecasts of which may have been provided to secure Charity or CASC status. Once accepted, support would be provided from the date that the status is confirmed by OSCR or HMRC.

Existing organisations that become a Charity or a CASC will be eligible to apply for inclusion in the scheme. Inclusion would be based on the accounts of the original (pre-charity/ CASC) organisation unless the nature of the activity is expected to be significantly different, in which case eligibility would be subject to the organisation making a declaration regarding expected revenue. Once accepted, support would be provided from the date that the status is confirmed by OSCR or HMRC.

Where exemption is granted, it will apply until the 31 March of the Tariff Year to which the application relates. A further application must be made to renew exemption for each subsequent year. Where a valid application has not been received by 1 April of the following Tariff Year, exemption will be removed at the CMA.

SCIO – Some unincorporated bodies can modify their status with OSCR to be a **Scottish Charitable Incorporated Organisation**. This is a new charity and requires all assets and liabilities to be transferred to it. This may result in the first year of income under SCIO status being over the threshold. Given that the charity has merely altered its status rather than the nature of its business, exemption can still be applied for. In these instances additional commentary is required with the application to highlight the fact that the income is over the threshold due to the organisation transferring to SCIO status. A copy of the appropriate years accounts must be provided along with details of the previous Charity including the charity number.

This is only applicable to the income for the first financial year reported to OSCR for the SCIO.

Umbrella Organisations that are registered as one charity with OSCR but encompass a number of individual (and largely autonomous) groups, may find themselves ineligible for the scheme, as the income submitted to OSCR 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 provided 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

3.1 Transitional Arrangements

Transitional arrangements will apply to existing exempt customers. All existing exempt organisations under the 2010-15 exemption scheme will retain their exemption in 2015-16. In 2016-17 any organisation that is exempt under the 2010-15 exemption scheme but is not eligible for the new scheme, will receive a 50% reduction in wholesale water and sewerage charges. From 1st April 2017 only organisations that meet the qualification

requirements of the new scheme will receive support with their wholesale water and sewerage charges as outlined in the new scheme. See **Appendix 3** for Transitional arrangements for organisations that are exempt under the existing scheme.

4 Application Process

Applications for exemption at a Supply Point should be submitted by the registered Licensed Provider to Scottish Water.

Exemption will only be granted for the Tariff Year for which the application is made. Applications must be submitted annually and, no later than 31 March of the Tariff Year in which exemption is sought. Exemption applications should be submitted on a per premises basis.

4.1 New Applications

Applications for exemption in 2015-16 can be made between 1 January 2015 and 31 March 2016. Applications are to be submitted to Scottish Water by the registered Licensed Provider. Exemption will be granted from 1 April 2015 for all qualifying applications received by 31 March 2016. No exemption will be granted for applications that are received after the end of the Tariff Year.

Evidence of the organisation's gross annual income relating to the premises must be provided. Charities will be required to provide their OSCR reference and confirm their gross income which will be validated against OSCR's records.

For CASCs, a copy of the accounts relevant to the application year must be submitted with the application.

New charities or CASCs for which accounts are not available must supply a budget or business case as submitted as part of their application for charitable status. Support will be provided from the date on which the charitable or CASC status is awarded.

The application will need to contain evidence that the occupier of the premises is a registered charity with OSCR or CASC with HMRC. Evidence of charitable/ CASC status can take the form of a relevant reference number which will be confirmed via OSCR/ HMRC registers.

4.2 Renewals

Once a Supply Point has been granted exemption, the registered Licensed Provider will be required to apply for renewal of the exemption for each subsequent year confirming that:

- The occupier is still a charity/ CASC – provide the Charity/ CASC reference number.
- The occupier continues not to be one of the excluded groups.
- The level of revenue reported in the relevant financial year per OSCR's website (based on accounts) for charities/ CASC's accounts.

4.3 Existing organisations

All organisations that are eligible for exemption from charges under the current scheme will remain exempt from charges during 2015-16. During 2015-16 organisations will need to submit an application via their Licensed Provider to retain exemption in 2016-17. The application for exemption in 2016-17 should be based on either the relevant gross income figure per OSCR for charities or CASC accounts for their most recent financial year ended prior to 1 July 2015.

Period of Exemption

Provided the organisation retains its charity or CASC status, support will be provided for the full Tariff Year (1 April to 31 March).

Exemption will be provided for the full Tariff Year, even if more recent accounts, published during the Tariff Year, indicate that revenue has since risen above the relevant thresholds (£200k and £300k). These more recent accounts will be used to determine the eligibility in a subsequent Tariff Year.

A charity or CASC which has been excluded from exemption because its revenue in the relevant year was too high, will not receive exemption until the start of the next support year, even if more recent accounts, submitted to OSCR or HMRC during the support year, show income within the scheme limits.

Inaccurate Applications

If any application and/or supporting documentation is subsequently found to be inaccurate or misleading in any respect, the exemption shall be removed for the Tariff Year to which the application related.

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.

5 Period of Exemption

The exemption shall have effect from the beginning of the Tariff Year 1st April to 31st March (between 2015 to 2021). Applications received by Scottish Water should be submitted either in advance of the Tariff Year to which the exemption relates or during the related financial year which the completed application is received by Scottish Water. Exemption from all water, sewerage and surface water drainage charges shall apply for that Tariff Year. No exemption will be granted for applications that are received after the end of the Tariff Year.

6 Other Conditions

The following conditions shall apply to any exemption granted by Scottish Water under this policy:

- Scottish Water reserves the right to review and request information in regards to an exemption application at any time and can review the decision based on the findings.
- No exemption from charges in respect of services provided by Scottish Water shall be granted other than via this policy.

- Exemption shall not be transferable on change of occupancy of the premises. It is the responsibility of the Licensed Provider to notify Scottish Water of any change of occupancy. If a change of occupancy is not notified to Scottish Water and should have resulted in cancellation of exemption from charges, Scottish Water reserves the right to backdate the correct charges at the Supply Point to the date of change of occupancy.

Appendix 1 Level of Support

Organisations that qualify for the new scheme will receive the following support under the scheme.

Income	Support provided to Charity/ CASC from 1 April 2015
Up to and including £200,000	Exempt
More than £200,000 up to and including £299,999.99	Support equivalent to 50% off wholesale charges
Over £300,000	No support

Appendix 2 Relevant financial accounts required for Exemption Scheme

Financial year end	Support period	Financial year end	Support period
31 July 2016	1st April 2018 to 31 st March 2019. Applications to be submitted prior to April 2019	31 July 2017	1st April 2019 to 31 st March 2020. Applications to be submitted prior to April 2020.
31 August 2016		31 August 2017	
30 September 2016		30 September 2017	
31 October 2016		31 October 2017	
30 November 2016		30 November 2017	
31 December 2016		31 December 2017	
31 January 2017		31 January 2018	
28 February 2017		28 February 2018	
31 March 2017		31 March 2018	
30 April 2017		30 April 2018	
31 May 2017		31 May 2018	
30 June 2017		30 June 2018	

Appendix 3 Transitional arrangements for organisations that are eligible for the existing scheme

Support provided to Charities and CASCs, 2015-16, 2016-17 & 2017-18.

Income	2015-16	2016-17	2017-18
Up to and including £200,000	Exempt	Exempt	Exempt
More than £200,000 up to and including £299,999.99	Exempt	Support equivalent to 50% off wholesale charge	Support equivalent to 50% off wholesale charge
Over £300,000	Exempt	Support equivalent to 50% off wholesale charge	No support

Support provided to NON- charities and CASCs, 2015-16, 2016-17 & 2017-18

Income	2015-16	2016-17	2017-18
Up to and including £200,000	Exempt	Support equivalent to 50% off wholesale charge	No support
More than £200,000 up to and including £299,999.99	Exempt	Support equivalent to 50% off wholesale charge	No support
Over £300,000	Exempt	Support equivalent to 50% off wholesale charge	No support