

# SMALL CHARITABLE DONATIONS ACT 2012

---

## EXPLANATORY NOTES

### COMMENTARY ON SECTIONS

#### *Section 9: Connected charities and community buildings*

57. **Section 9** sets out the rules for determining the specified amount for a charity or CASC that is connected with one or more other charities or CASCs in a tax year, and where at least one of the connected charities (but not CASCs) runs charitable activities in a community building.
58. **Section 9** applies only to connected charities or CASCs that are eligible charities or CASCs for the purposes of the scheme in that tax year: connected charities or CASCs that are not eligible for the scheme are disregarded. For example, if three charities are connected under the provisions of section 5 but only one of them is eligible to make a claim under the scheme in that tax year and it runs charitable activities in a community building, then the charity does not fall within section 9.
59. Where two or more eligible charities or CASCs are connected in a tax year and at least one of the charities runs charitable activities in a community building, *subsection (2)* of section 9 pools the remaining donations of the eligible charities and CASCs. That is, the small donations made to all the charities and CASCs, but excluding any donations made by group members in community buildings while the charity (or charities) was running charitable activities in the buildings.
60. *Subsections (3) and (4)* state how the specified amount of a connected charity or CASC within section 9 that does not itself run charitable activities in a community building is computed.
61. First, identify the “capped total of remaining donations”: this is the amount of the pooled donations of the eligible charities and CASCs that are not collected from group members in a community building while charitable activities are being run, or £5,000 if less. Next, identify the number of eligible charities and CASCs that make a top-up claim in respect of small donations made in the tax year. The specified amount is the capped total of remaining donations divided by the number of eligible charities and CASCs that make a top-up claim in the tax year. The result is similar in effect to section 4, which pools the small donations of the connected charities and CASCs, where none of the charities runs charitable activities in a community building.
62. Under the provisions of *subsections (5) and (6)* a charity that runs charitable activities in a community building makes a top-up claim for the purposes of section 9(3) only if the charity claims a top-up payment on more than the small donations that are made by group members in its community buildings while it is running charitable activities in the building. In effect a top-up claim for the purposes of section 9(3) relates only to the making of a claim in respect of the “capped total of remaining donations”. If a charity claims a top-up payment (in effect) only in respect of the small donations made by group members in its community buildings while it is running charitable activities, it has not made a top-up claim for the purposes of section 9(3) and the charity does not

*These notes refer to the Small Charitable Donations Act 2012  
(c.23) which received Royal Assent on 19 December 2012*

count towards the number of eligible charities that have made a top-up claim for the purposes of subsection (3).

63. The effect of *subsections (3) to (6)* is that the £5,000 specified amount in section 1(6) is replaced with a limit equal to the “capped total of remaining donations” divided equally between all the connected charities and CASCs that make a top-up claim for the tax year in respect of those donations. All the remaining small donations, of the eligible charities and CASCs - that is the donations not collected from group members in a community building while running charitable activities - are pooled. However, each charity’s or CASC’s claim must be matched to Gift Aid donations received by the charity or CASC itself; the Gift Aid donations matched under section 1(4)(a) are not pooled.
64. For example, three eligible charities, A, B and C are connected in a tax year. B and C both run charitable activities in a community building. The charities receive donations as follows:

	<i>Small donations collected from group members in community buildings</i>	<i>Remaining small donations</i>	<i>Gift Aid donations</i>
<b>Charity A</b>	Nil	£2,000	£2,500
<b>Charity B</b>	£2,000	£2,500	£300
<b>Charity C</b>	£3,000	£2,000	£5,000
<b>Total</b>		£6,500	

65. If all three charities make a claim in respect of the ‘remaining small donations’ received (of which there is a pool of £6,500) then the specified amount of £5,000 is split three ways and Charity A is entitled to a specified amount of only £1,666.67. If the charities decide between themselves that just Charity A should make a claim in respect of the remaining small donations, in other words Charity B and Charity C will only claim in relation to their community building amount of small donations, then Charity A can claim the full £5,000 specified amount based on the remaining small donations of all three charities. Charity A also has enough Gift Aid donations to match the £5,000 specified amount at a 10% matching rate. It is up to the charities to agree how the top-up payment received by A is then divided between Charities A, B and C.
66. Subsection (3) determines how to compute the specified amount for the charities and CASCs that do not run charitable activities in a community building. For the connected eligible charities that do run charitable activities in a community building section 6 applies but *subsection (7)* of section 9 provides that the “remaining amount” in section 6 for this purpose is the “specified amount” given by subsection (3) of section 9.
67. Taking the charities in the example above, if all three make a top-up claim for the purposes of section 9(3) then the specified amount under section 6 of:
- Charity B is  $£2,000 + £1666.67 = £3,666.67$  and
  - Charity C is  $£3,000 + £1666.67 = £4,666.67$ .
68. Charity B can claim on only £3,000 of small donations because it did not receive enough Gift Aid donations to match the specified amount. Charity C can claim on small donations up to the full specified amount.
69. If, instead, the three charities had agreed that Charity A should take the lead and make the claim under section 9 on behalf of all three charities then its specified amount under section 9(3) would be £5,000 and the specified amount under section 6 of:
- Charity B is  $£2,000 + £5,000 = £7,000$  and

*These notes refer to the Small Charitable Donations Act 2012  
(c.23) which received Royal Assent on 19 December 2012*

- Charity C is £3,000 + £5,000 = £8,000.
70. At first glance it would seem that each charity would be able to claim more than it ought to because each appears to have a remaining amount of £5,000 instead of one allocation of £5,000 between them. However, by claiming on more than the small donations received from group members in a community building while running charitable activities, a charity is immediately treated as having made a top-up claim under subsection (5) for the purposes of subsection (3). So if Charity A had claimed a top-up payment on the £5,000 pooled donations of all three charities and Charity B later claimed a top-up payment on £7,000 of small donations, the specified amount in subsection (3) would need to be recalculated: two eligible charities would have made a claim so the specified amount is reduced under subsection (3) to £2,500. If Charity A had already claimed on the specified amount of £5,000 it would need to amend its claim and repay the amount overpaid.
  71. If Charity C were to claim on behalf of the three charities then it would be able to claim on the full specified amount of £8,000 because it has enough Gift Aid donations to match the small donations. As with section 4, connected charities and CASCs can decide between themselves how best to maximise the top-up payment.
  72. The intention of the community building and connected charities rules is that they work together to ensure broadly equal treatment for organisations that carry out broadly similar functions but just happen to be structured differently. For example, some religious organisations such as the Church of England have set up each church as a separate charity. However, the Catholic Church has only one charity at the level of the diocese and that diocesan charity is responsible for a number of separate churches. The consequence of this is that if the rules allowed one allowance per charity, the Catholic Church would receive considerably less in payments under the scheme than other religions, such as the Church of England. As a result of these rules the Catholic Church can qualify for up to £5,000 for each church that qualifies as a community building. Similarly, individual parish charities of the Church of England can each qualify for one £5,000 if they are community buildings. As the individual parish charities are connected to other Church of England charities they will not receive an additional £5,000 allowance for each charity. Instead, those connected charities will share one £5,000. As a result the two different arrangements achieve a similar outcome as each local parish church, be it Catholic or Church of England, can qualify for up to £5,000 under the community building provisions and the various charities will share an additional £5,000 under the connected charities rule.