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## Scottish Government Exemption Scheme Policy SW-WHPOL-SGES 2021 Policy

<b>Owner</b>	Head of Revenue
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<b>Last Updated By</b>	Grant McIntosh, Wholesale Revenue Team Leader
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### 1 Background

The purpose of this document is to provide clear guidelines on eligibility for the Scottish Government's Water and Sewerage Charges Exemption Scheme. The exemption scheme is available to occupiers of non-household premises who meet the eligibility criteria specified by the Scottish Government. This policy looks to ensure that the scheme does not enable unfair competition between charities and small businesses.

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

### 2 Related Documentation

The Scottish Government; General Statement of Policy – Principles of Charging for Water Services 2021 to 2027	<a href="https://www.gov.scot/publications/principles-of-charging-2021-2027/">https://www.gov.scot/publications/principles-of-charging-2021-2027/</a>
Scottish Government Water and sewerage charges exemption scheme: review	<a href="https://www.gov.scot/publications/water-sewerage-charges-exemption-scheme-review/">https://www.gov.scot/publications/water-sewerage-charges-exemption-scheme-review/</a>
Umbrella Organisation Income Apportionment Template	<a href="https://www.scottishwater.co.uk/Business-and-Developers/Licensed-Providers/Exemptions-Allowances-and-Incentives/Charitable-Exemptions">https://www.scottishwater.co.uk/Business-and-Developers/Licensed-Providers/Exemptions-Allowances-and-Incentives/Charitable-Exemptions</a>

### 3 Qualification Criteria

#### **3.1 Registered Charity or Community Amateur Sports Club (CASC)**

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

An application must be submitted annually in respect of every premises that is connected to public water supply and/or sewers and which are occupied by a Charity or CASC.

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

Exemption will also be removed from the date on which:

- The organisation loses its Charitable or CASC status with OSCR or HMRC;
- The organisation no longer occupies the premises; or
- There is any other change in circumstances at the premises affecting eligibility for exemption.

#### **3.2 Exclusions**

The exemption scheme is not available to an organisation that, at any time during the relevant period:

- holds a permanent alcohol licence for the premises under Part 3 of the Licensing (Scotland) Act 2005, other than an occasional permission granted under the Licensing (Scotland) Act 2005; or
- in line with the Scottish Government's Water and Sewerage charges exemption scheme review, carries out any of the following activities from the premises which, for the purposes of this scheme, are considered as "operating a full-time retail outlet"
  - a. has any part of the premises dedicated to the purpose of selling new or second hand merchandise (either directly, or over a distance)
  - b. has any part of the premises available for short or long term rental; or a holiday let which is generally available to the public.
- has any part of the premises operating as a café, restaurant or other dining place which is open to the public for more than 20 hours a week, where food or drink is sold to generate income. This exclusion does not relate to situations where facilities have been set up by a charity to be used by its volunteers.
- 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](http://www.audit-scotland.gov.uk/docs/local/2011/nr_110616_aleos.pdf) )

#### **3.3 Financial criteria**

To qualify for the exemption scheme, the "Gross annual income" of the Charity or CASC must be less than £200,000 to receive full exemption. Premises occupied by Charities or CASCs with gross incomes between £200,000 and £299,999.99 will have a 50% discount applied to the applicable **wholesale** water and sewerage charges. See **Appendix 1** for further details about levels of support.

“Gross Annual Income” is the total annual income received for the **relevant financial year** for the application (as declared by OSCR for Charities or reported in the organisation’s accounts for CASCs) without any deductions for expenditure of any kind. Please note that no exceptions are made for donations to charities, money paid to parent bodies and grant awards which are not allowable deductions.

Exemption in a given Tariff Year (1 April – 31 March) will be based on the charity or CASC’s gross income for the financial year which ended before 1 July of the previous year, the **relevant financial year**. Support for 2021-22 will therefore be based on gross income for the charity’s last financial year ending on or before 30 June 2020. See **Appendix 2** for further details about financial accounts required.

Eligibility for exemption for a given Tariff Year will be based on the **relevant financial year**, regardless of how income may have changed in more recent financial years, which will be used to determine the eligibility in a subsequent Tariff Year.

For Charities, exemption will not be granted until the relevant accounts have been submitted and verified by OSCR and are visible on the OSCR website.

**New Charities and CASCs** which are awarded charitable or CASC status after the commencement of the Tariff Year on 1st April are eligible to apply for inclusion in the scheme. Inclusion is subject to the organisation making a declaration regarding expected revenue, supported by income forecasts which may have been provided to secure Charity or CASC status. Once a discount or exemption is approved by Scottish Water, this will be applied from the date that the organisation gained charitable status with OSCR or CASC status with HMRC.

**Existing organisations that become a Charity or a CASC** and which are awarded charitable or CASC status after the commencement of the Tariff Year on 1st April are 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 a discount or exemption is approved by Scottish Water, this will be applied from the date that the organisation gained charitable status with OSCR or CASC status with HMRC.

**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. In the event that this transfer of assets results in the first year of income after becoming an SCIO being over the income threshold, 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 and eligibility would be based on income excluding the asset transfer. A copy of the appropriate year’s 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. Where agreed by the Scottish Government, 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 and the associated properties,

together with confirmation that the other eligibility criteria have been met. Exemption can be granted for those parts of the groups whose income is 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](mailto:waterindustry@gov.scot)

#### **4 Application Process**

Applications for exemption at a Supply Point should be submitted by the occupier of the premises to their registered Licensed Provider who is responsible for applying to Scottish Water.

Exemption will only be granted for the Tariff Year (which runs from 1 April to 31 March) requested on the application. Only one Tariff Year may be selected per application. Applications must be submitted annually and, no later than 31 March of the Tariff Year in which exemption is sought. A separate Exemption application should be submitted for each premises that is subject to water and/or waste charges.

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.

CASC status is confirmed against the list of registered CASCs provided by HMRC. New CASCs that are not yet included on this list must provide a copy of the letter from HMRC confirming their CASC status has been granted with their application. CASCs must also provide a copy of their accounts relevant to the application year.

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.

#### **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.

#### **5 Period of Exemption**

The exemption shall take effect from the first date in the Tariff Year on which the premises is eligible and will run to 31<sup>st</sup> March of that Tariff Year. Applications can be submitted either before or during the Tariff Year to which the exemption relates.

## 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 will backdate the removal of exemption from the Supply Point to the date of change of occupancy.

### Appendix 1 Level of Support

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

<b>Gross Annual Income in relevant financial year</b>	<b>Support provided to Charity/ CASC from 1st April 2021</b>
Up to and including £200,000	100% Exempt
More than £200,000 up to and including £299,999.99	50% off wholesale charges
Over £300,000	No Exemption

**Appendix 2 Relevant financial year: financial accounts used to determine eligibility for Exemption Scheme**

<b>Financial year end</b>	<b>Support period</b>	<b>Financial year end</b>	<b>Support period</b>
31 July 2019	1st April 2021 to 31 <sup>st</sup> March 2022.  Applications to be submitted prior to April 2022	31 July 2020	1st April 2022 to 31 <sup>st</sup> March 2023.  Applications to be submitted prior to April 2023.
31 August 2019		31 August 2020	
30 September 2019		30 September 2020	
31 October 2019		31 October 2020	
30 November 2019		30 November 2020	
31 December 2019		31 December 2020	
31 January 2020		31 January 2021	
28 February 2020		28 February 2021	
31 March 2020		31 March 2021	
30 April 2020		30 April 2021	
31 May 2020		31 May 2021	
30 June 2020		30 June 2021	