

Expert Paper

Valuing auction prizes

This document is for political parties, regulated individuals, members associations, candidates at elections, non-party campaigners at elections, and referendum campaigners who are familiar with the rules on donations, and want to know more detail on how to value and report auction prizes.

Translations and other formats

For information on obtaining this publication in another language or in a large-print or Braille version please contact the Electoral Commission:

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Email: publications@electoralcommission.org.uk

Terms and expressions we use

We use '**must**' when we refer to a specific legal or regulatory requirement. We use '**should**' for items we consider to be minimum good practice, but which are not legal requirements.

You do not have to follow this guidance, but if you do, you will normally be doing enough to comply with the law.

Our approach to enforcement

If you do not comply with legal or regulatory requirements you or your organisation may be subject to civil or criminal sanctions.

You can find more information about the Commission's approach to enforcement at

<http://www.electoralcommission.org.uk/party-finance/enforcement>

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Who this document is for:

- Registered political parties
- Regulated individuals
- Members associations
- Candidates at elections
- Non-party campaigners at elections
- Referendum campaigners

who are considering an auction for the purposes of political fundraising.

The document covers:

- The basics of valuing auction prizes
- The guiding principle
- The principle in practice

Related documents:

[Overview of donations to political parties](#)

[Managing donations to political parties](#)

[Donations to regulated donees](#)

Summary

If you raise money through an auction, this may be reportable as a donation.

This document explains how to value and report auction prizes.

Donations to registered political parties, regulated individuals, members associations, non-party campaigners and referendum campaigners are regulated under the Political Parties, Elections and Referendums Act 2000 (PPERA). Donations to candidates at elections are regulated under the Representation of the People Act (RPA).

Introduction

Auction prizes can be goods or services. Depending on the circumstances, goods or services given to raise money for a political party or regulated donee may be a donation under PPERA. If goods or services are given to raise money for a candidate at an election, this may be a donation under the RPA.

Under PPERA donations over a certain threshold must be checked by the recipient, correctly recorded and may need to be reported to us, the Electoral Commission.

Political parties and members associations must check that all donations over £500 are from permissible sources, and must report all single donations over £7,500, or several donations from the same donor that aggregate to above that amount during a calendar year. Subsequent donations from the same donor during the same calendar year that exceed £1,500, or aggregate to above that amount, must also be reported to the Commission.

Accounting units of political parties and regulated individuals must check that all donations in excess of £500 are from permissible sources, and must report all single donations over £1,500, or several donations from the same donor that aggregate to above that amount.

How to use this guidance

You should have a firm understanding of the principles of donations before reading this guidance. For more information on donations, see our guidance on donations on [our website](#).

This guidance document will take you through the guiding principle of handling auction prizes, and provides some examples of how to apply it.

If you are unsure about a particular situation regarding an auction that you are involved in, please call us for advice.

The basics and the guiding principle

The following pages will take you through the basic rules and the guiding principle you must follow.

What is an auction prize?

An auction prize is anything given for sale or sold to raise money. For example, auction prizes can be cars, the use of holiday homes, artwork, or services such as the provision of a chef for an evening.

You must put a value on the prize so that you can decide if it counts as a donation. If it is a donation, you must check that you can accept it, record it and in certain cases, report it to us, the Electoral Commission, as a donation.

Auction prizes can be either:

- tangible items, or
- intangible benefits or services.

The value of both tangible and intangible auction prizes may be easy to find out. For example, a prize may be an item such as a car which has a stated recommended retail price. The value of a prize such as a picture signed by a prominent political figure may be harder to determine.

You can find more on what counts as a donation in our guidance at www.electoralcommission.org.uk/guidance

Raffle prizes

Similar principles apply to the receipt of items or services that are later used as prizes at raffles.

The guiding principle

This will help you to decide whether you need to treat an auction prize as a donation. The guiding principle is that, in all cases, you should make an honest assessment, based on the facts, of the value of the item or service that is being auctioned or raffled.

This will be straightforward for most items. However, for some it will be more complicated. The examples in the next section will help you understand how you should approach your assessment.

When is an auction prize a donation?

There are two possible donation “components” to auction prizes:

- When you receive an item or service for auction
- When you auction the item or service.

Receiving the prize

You need to report an auction prize when you receive a prize for auction either without charge or at a non-commercial discount.

This counts as a donation to you if:

- the value of the prize, if the item is given free of charge exceeds £500, or,
- the amount of the discount exceeds £500.

The threshold for candidates at elections is £50.

If the item is given free of charge, the amount of the donation will be the value of the item. If the item is given at a discount, the amount of the donation will be the value of the discount.

At the auction

A further donation is made to you if the buyer pays more than the prize is worth, and if the difference between the item’s worth and what the buyer pays is more than £500.

If you pay the full value of the item when acquiring an auction prize, no donation has been received at that point. If the successful bid for the auction prize is at or below the value of the prize, no donation has been made. If the successful bid for the auction prize is more than £500 above the value of the prize, then a donation has been made.

 Important

A successful bidder becomes a donor, and must therefore be checked that they are permissible under PPERA rules.

When do I report an auction prize?

Political parties must report all donations they have accepted in a particular quarter that exceed the relevant threshold in a donation report to the Commission. This report is due no later than 30 days following the end of the quarter. Regulated donees (except MPs) must report donations to the Commission within 30 days of acceptance.

Among the details of the donation you need to report, you must report the date the donation is received.

You usually receive a donation on the day you take physical ownership of it. But you may receive it earlier if a person makes a firm commitment to provide the donation to you.

For example, if someone donates a crate of vintage champagne to you for auction, you might receive it on the date that the person gives the crate to you. But if the person donating the crate of vintage champagne offers to store the champagne for you until there has been a successful bid for it at auction, you will receive the donation when the commitment to donate the crate is made.

Candidates at elections must report details of donations they have received in the spending return they must submit after the election.

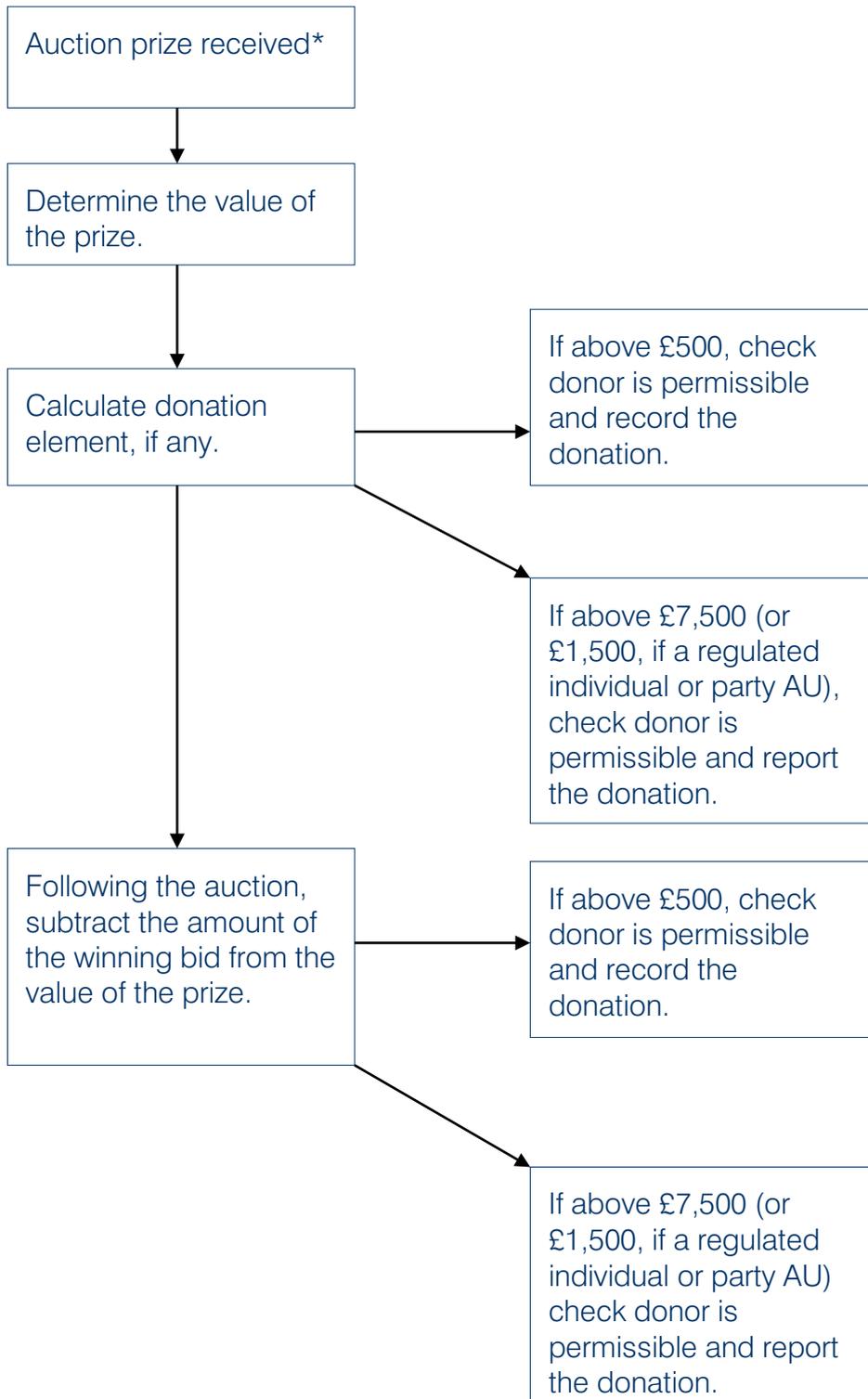
Contact us

Sometimes it may be difficult to decide when you have received a donation. You should make an honest assessment based on all the circumstances. If you are not sure, call or email us for advice.

Valuing auction prizes in practice

The following pages will take you through the valuation and reporting process in practice, using common types of scenario.

The flow chart on the next page outlines the steps you should take when you receive an auction prize.



* If you are uncertain as to when you receive an auction prize, please contact us.

Valuing prizes: how to make an honest assessment

The examples below illustrate how to apply the guiding principle in some common circumstances.

They are intended to help you to consider how you can assess the value of an auction prize. They are not exhaustive. In each case, you must consider the particular facts in order to reach an honest assessment of how to value the auction prize(s).

If you're not sure how to value a particular prize, you can call or email us for advice. We are happy to talk through how you propose to assess the value of a particular prize.

You should also keep a record of how you made your assessment, in case of any later queries.

Calculating value

Where you are given an auction prize before it is auctioned, you must calculate its value so that you know whether or not to treat it as a donation.

A common way to determine the value of an auction prize is to check its price (or the price of a reasonable equivalent). The internet is often a quick way to do this. Where there is doubt as to the exact value of an item or service, you should obtain three commercial quotes and use the average of the three.

At auction

Any subsequent donation is made if the successful bidder pays more than the market price of the item or service; the donation element is the difference between the price paid by the buyer and the value of the prize. Winning bids that are donations are always categorised as cash donations.

Example 1: a new car

A permissible donor donates a new car to a political party as an auction prize. The donor requests a nominal fee of £1,000 for the car.

Upon checking the manufacturer's website you determine that the car has a recommended retail price – a value – of £12,000.

The donor has made a non-cash donation to the party of the value of the car minus the fee they have charged.

Value of car minus fee = non-cash donation

$$£12,000 - £1,000 = £11,000$$

There is a non-cash donation to the party of £11,000 which must be reported in a quarterly donation return covering the date when the car was accepted.

At auction the car sells for £18,000. To determine whether a donation has been made, subtract the value of the car from the winning bid.

Winning bid minus value = cash donation

$$£18,000 - £12,000 = £6,000$$

A cash donation of £6,000 has been made to the party. The party must check the permissibility of the donor before accepting the donation.

Regulated donees must report any donations they accept within 30 days of acceptance.

You can find the guidance the Commission has produced on how to check whether a donor is permissible [here](#).

Example 2: artwork

An artist donates, free of charge, one of their works to an accounting unit of a political party for auction. The threshold for declaring donations accepted by an accounting unit to the Commission is £1,500.

The artist values their work at approximately £1,500 based on the sale of earlier works. You should check that this valuation is accurate based on the sale prices of the artist's other works in order to make a reasonable and honest assessment of the value of the work.

If the artist has not sold similar works before, you should obtain a second and third opinion in order to determine whether the donation needs to be reported to the Commission or not.

Two appraisers independently value the artwork at £1,400 and £1,350. To arrive at a market value of the piece, obtain an average of the three figures:

$$(\pounds 1,500 + \pounds 1,400 + \pounds 1,350) \div 3 = \pounds 1,420$$

As the item was donated free of charge, you should conclude that a non-cash donation of £1,420 has been made to the party.

Occasionally, you may be unable to determine the value of an item or service before an auction. For example if the artwork has been done by a prominent public figure who is not an artist or has not sold artwork before. In such a case you may have to wait until the item or service is bought at auction before assigning value to it, and then reporting it as a donation, if necessary.

We are happy to offer advice in such cases, so do contact us.

When determining whether donations from a particular donor are reportable or not, remember to aggregate any other donations the donor may have made during the same calendar year.

Example 3: use of a holiday home

A donor, Mr Smith, has offered to your party, at no charge, the use of his Spanish holiday home for a week during the summer for the next five years.

You have calculated that the value of this service is £10,000 based on an internet search for prices of holiday rentals in that area of Spain at that time of year (£2,000 a year x 5 years). You must check that Mr Smith is a permissible donor.

Report to the Commission in the next quarterly report a non-cash donation of £10,000 from Mr Smith.

At auction this prize attracts a winning bid of £20,000 from Ms Brown. To calculate the donation element of this transaction, subtract the market value of the prize from the winning bid, like so:

£20,000 (winning bid) - £10,000 (value) = a cash donation of £10,000

You must check the permissibility of, and also report, the cash donation of £10,000 from Ms Brown.

How we can help

You can find more information in the guidance documents we have suggested in this document, or you can view our full range of guidance and up-to-date resources on our website.

If it's easier, you can also contact us on one of the phone numbers or email addresses below. We are here to help, so please get in touch.

Call us on:

- England: 020 7271 0616
pef@electoralcommission.org.uk
- Scotland: 0131 225 0200
infoscotland@electoralcommission.org.uk
- Wales: 029 2034 6800
infowales@electoralcommission.org.uk
- Northern Ireland: 028 9089 4020
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Visit us at www.electoralcommission.org.uk

We welcome feedback on our guidance – just email us at:
pef@electoralcommission.org.uk