

14 October 2025

## **Charity Tax Group (CTG) Budget Submission 2025**

The Charity Tax Group (CTG) was set up in 1982 and has since become the leading voice for the UK charity sector on tax issues.

The charity sector encompasses a wide range of activities including, for example: education, support for vulnerable or disabled people and helping people in poverty and provides essential services in these and other fields. This fills the gaps where the state is unable or not best placed to provide support, and so the work of charities reduces the cost to the state of providing essential services to people in need.

In 2025, charities find themselves under severe financial pressure. This comes from four main drivers: some evidence suggests that the value of post pandemic donations has fallen to a level lower than in 2011<sup>1</sup>; the number of people reliant on charitable support is increasing, as The Rt Hon Lisa Nandy states in the foreword to the Civil Society Covenant “Funding has reduced as need has soared...”; the impact on inflationary pressures is well documented; and finally, the increase in Employers’ National Insurance, which was estimated by NCVO to be approximately £1.4bn per year<sup>2</sup>; this is approaching the amount of £1.7bn that the Government paid charities by way of Gift Aid relief in the tax year to April 2025<sup>3</sup>. Like any universal tax increase, the NI increase has had a disproportionate impact on charities who usually are unable to pass on the additional cost to customers and so are forced to reduce the level of service provision for beneficiaries, often resulting in a significant additional cost burden for the state.

In making our submission for the 2025 Budget, recognising the pressures on the Treasury overall, we have detailed a number of no or low-cost measures or easements which would benefit charities. However, before considering these, we want first to emphasise how critically important it is to the work of the charity sector that the government evaluates the consequences of any universal tax changes on charities and take steps to mitigate any unintended and adverse consequences of these.

It is also critically important to maintain all the existing reliefs which help charities to provide essential services. In particular, we want to highlight the benefit of Gift Aid relief and relief from business rates. Gift Aid serves a dual purpose in supplementing the value of a charity’s income from donations and encouraging donors to support the work of charities. However, it is also important to note that the availability of Gift Aid ensures that High Net Worth Individuals are incentivised to provide substantial funding for philanthropic causes in the UK rather than diverting their donations overseas. Relief from business rates enables charities to maintain their investment in and connection to local communities by ensuring that there is no tax disincentive to holding property.

In addition to maintaining these essential reliefs, we have also identified a number of further measures or easements which will improve the operational effectiveness of charities without placing any substantial additional burden on the public purse. These are grouped under the three themes described below:

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<sup>1</sup> <https://benefactgroup.com/charity-support/charity-fundraising-articles-and-guides/value-of-giving-report/>

<sup>2</sup> NCVO’s initial estimates have found the increases will create an annual additional bill of £1.4bn.

<sup>3</sup> <https://www.gov.uk/government/statistics/uk-charity-tax-relief-statistics/uk-charity-tax-relief-statistics-commentary#table-1-summary-of-uk-tax-reliefs-for-charities-and-donors>

1. *Correcting anomalies*

- a. The Gift Aid rules should be updated in the next Finance Act to ensure that charities can continue to claim Gift Aid while complying with the Digital Markets, Competition and Consumers Act 2024<sup>4</sup> (DMCCA) when it comes into force in Spring 2026
- b. The VAT rules should be clarified to put beyond doubt the inclusion of social media advertising in the VAT zero rate for charity adverts
- c. The government should press on with publishing the outcome to the consultation on and implementing zero rating for goods donated to UK charities for the benefit of their beneficiaries. This follows the consultation on aligning the treatment with donations of goods overseas.

2. *Improving the tax system to encourage operational efficiencies*

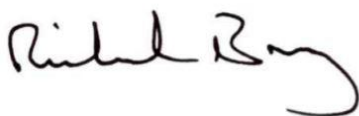
- a. Make substantial operational efficiencies possible by reforming the VAT cost sharing exemption to make it useable
- b. Introduce a zero rate for charities in the care sector
- c. Simplify the Gift Aid rules (Gift Aid on Entry) for day visitors to charitable attractions
- d. Uplift the de- minimis (relevant value) limits on Gift Aid donor benefits
- e. Uplift the maximum top up limit for the Gift Aid Small Donations Scheme (GASDS) in line at least with the increase in consumer prices
- f. Simplify the zero-rating relief for buildings used for a relevant charitable purpose
- g. Uplift the charities small scale non-charitable trading exemption
- h. Lift the prohibition on charities investing in insurance wrapped products which are available to pension funds
- i. The tax relief for orchestras should be extended to include choirs

3. *Modernisation of legislation and practice in the tax system*

- a. The system for claiming and administering gift aid should be modernised in line with HMRC's Transformation Roadmap which has the key objectives of Improving day-to-day performance and the overall customer experience as well as closing the tax gap.
- b. VAT reliefs for people with disabilities need to be modernised and there should a wider review of tax reliefs in this area

Because we are acutely aware of the ongoing difficult economic and fiscal environment, we have at this time avoided proposing broader simplification measures which would have significant cost implications. We have where possible provided an estimate of the cost of each proposal.

Yours sincerely



**Richard Bray**  
Chair

**CC Helen Page HMRC, Mark Pickard HMRC**

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<sup>4</sup> <https://www.legislation.gov.uk/ukpga/2024/13/contents>

| Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Proposal                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
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| <b>Theme 1 - Correcting anomalies</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>1(a) Update to the Gift Aid rules in the next Finance Act to accommodate the changes in DMCCA</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| DMCCA will come into force in Spring 2026. Part 4, Chapter 2 of the Act deals with subscription contracts. Where charities sell an annual membership on which they are currently claiming Gift Aid, this will now be subject to ss264-266 which provide rights for consumers to cancel subscription contracts during cooling-off periods (14 days) or if there is a breach of contract. Whilst this is good news for consumers it does compromise the ability to claim Gift Aid on this income stream. s416 of ITA2007 defines “qualifying donation”. One of the requirements for a qualifying donation, ‘Condition B’ is that the payment ‘is not subject to any condition as to repayment’. It would appear that DMCCA would mean that all charity annual memberships are ‘subject to a condition as to repayment’ and so would no longer qualify for Gift Aid | <p>s416 of ITA2007 defines “qualifying donation”. One of the requirements for a qualifying donation, ‘Condition B’ is that the payment ‘is not subject to any condition as to repayment’.</p> <p>It would appear that DMCCA would mean that all charity annual memberships are ‘subject to a condition as to repayment’ and so would no longer qualify for Gift Aid.</p> <p>We propose that s416 is updated to clarify that after the 14 day cooling off period, annual memberships are no longer subject to any condition as to repayment, and at that point would become qualifying donations.</p> | <p>This change would maintain the status quo and would therefore have no incremental cost.</p> <p>We are aware the HMRC have been considering the impact, and that Stuart Andrews, Shadow Secretary of State for Culture Media and Sport put a question to the Chancellor on this matter. The Exchequer Secretary to the Treasury, James Murray, responded positively on behalf of the Chancellor as follows:</p> <p><i>The government is pleased to confirm its plans to legislate to amend the rules concerning Gift Aid due to implications of the Digital Markets, Competition and Consumers Act 2024. This Act introduces new protections for consumers who take out subscription contracts. The government will amend existing Gift Aid legislation so that charities can continue to claim Gift Aid while complying with these new consumer protections when they come into force.</i></p> |

| Description                                                                                                                                                                                                                                                                                                                                                                                                     | Proposal                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Cost                                                                                                                                                                                                                                                                                                                                 |
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| <b>1(b) Update charity advertising relief to confirm inclusion of social media advertisements</b>                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                      |
| <p>Charity adverts are eligible for relief from VAT under VATA 94 Sch 8 Group 15. This removes a big cost from advertising budgets and enables charities to both fulfil their purpose by reaching people in need, and to fundraise. But current HMRC interpretation is that adverts on social media are not eligible for relief, restricting the reach of charities and increasing the cost of fundraising.</p> | <p>We propose a modernisation and simplification of the advertising relief by zero rating all charity advertising, including on social media, regardless of perceived technological nuances. This will maximise the reach of charities and reduce the overheads associated with fundraising. This improved reach and capacity enables charities to increase the level of service provision for beneficiaries, which should result in a significant reduction in cost burden for the state.</p> | <p>We have been unable to compile sufficient evidence to reliably estimate the cost of this amendment. However, we believe that the correction of this anomaly will avoid cost of a legal challenge to the currently anomalous interpretation adopted, and also facilitate a widening of the activities and impact of charities,</p> |
| <b>1(c) Implementation of zero rating for goods donated to UK charities for the benefit of their beneficiaries</b>                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                      |
| <p>The recent consultation<sup>5</sup> published in April came up with a number of models to implement this relief. CTG was grateful for the opportunity to input into the consultation process on how this relief could be implemented in a way that means it is accessible whilst managing the risk of abuse.</p>                                                                                             | <p>We propose that the government legislates to implement the zero rating relief for goods which are donated to charities for distribution to beneficiaries in the UK. The implementation should ensure that the relief is accessible and the conditions are not so onerous as to limit its usability.</p>                                                                                                                                                                                     | <p>The costs are assessed to be negligible for both the Exchequer and for commercial enterprises where goods are diverted from non-moving stock or stock destruction.</p>                                                                                                                                                            |

<sup>5</sup> <https://www.gov.uk/government/consultations/consultation-on-the-vat-treatment-of-business-donations-of-goods-to-charity>

| Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Proposal                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
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| <b>Theme 2 - Improving the tax system to encourage operational efficiencies</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>2(a) Make substantial operational efficiencies possible by reforming the VAT cost sharing exemption to make it useable</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <p>Group 16 Sch 9 VATA 1994 The cost sharing exemption was implemented into UK legislation in FA2012. The purpose of the exemption is to encourage independent organisations to share administrative and other resources to reduce waste and complexity. The exemption is needed where organisations face a significant restriction on recovery of input VAT due to non-business restriction or because they make exempt supplies.</p> <p>However, the take up of the exemption has been very low. The primary reasons for this are that the implementation requires the formation of a new entity, and impractical provisions around making supplies to members who have a partial VAT recovery.</p> <p>Both requirements to achieve the VAT saving bring about sufficient additional administrative complexity, cost and risk that they would outweigh the VAT saving, and so charities are not accessing the financial and operational improvements that could arise from cost sharing with other charities or partners.</p> | <p>We propose a review and reform of the implementation of the cost sharing exemption to make it more accessible - in particular removing the need to form a separate entity, and simplifying the provisions where supplies are made to members who have a partial VAT recovery, perhaps by reinstating the de-minimis threshold of 25% VAT recovery.</p> <p>Making the exemption more accessible would encourage independent organisations to share administrative and operational resources with other charities or partners to increase effectiveness and to reduce waste and complexity. This would mean that charities could increase the level of service provision for beneficiaries, which in turn should result in a significant reduction in cost burden for the state.</p> | <p>The Exchequer cost of simplifying the relief would be minimal as charities are not currently implementing cost sharing arrangements due to the VAT barriers.</p> <p>Removal of the barriers would enable charities to implement efficiencies which are not currently accessible. This would increase the amount that charities are able to spend on their core mission and reduce the dependency of vulnerable people in society on Government support. Overall therefore, we anticipate that the measure would result in a net gain HM Treasury.</p> |

| Description                                                                                                                                                                                                                                                                                                                                                                                                 | Proposal                                                                                                                                                                                                                                                                                                                                                                                       | Cost                                                                                                                                                                                                                                                                                                                |
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| <b>2(b) Introduce a zero rate for charities in the care sector</b>                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                     |
| There is an acute need for more care facilities in the UK and yet charities are having to pay 20% in VAT on the costs of providing these services, including agency staff, a cost not borne by public sector care facilities.                                                                                                                                                                               | We propose that charity care sector fees should be zero rated to allow input tax recovery.                                                                                                                                                                                                                                                                                                     | Whilst this VAT relief will come at a cost to the Exchequer, the chronic shortage of care and care facilities is placing a significant financial burden on the NHS, and so the cost of this VAT relief should be offset by savings in the NHS.                                                                      |
| <b>2(c) Simplify the Gift Aid rules (Gift Aid on Entry) for day visitors to charitable attractions by removing the 10% donation requirement</b>                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                     |
| The majority of visitors to a charitable property now typically opting to pre-purchase their admission on-line. This has impacted the ability of these charities to interact with supporters to discuss the benefits of making the 10% donation and gift-aiding to support their charitable aims and so has had a detrimental impact on the ability of these charities to claim Gift Aid on day admissions. | We propose that charities should be able to treat day visitors as 'day members' which subject to a valid declaration would be eligible for Gift Aid in the same way as an annual membership. This would simplify the Gift Aid journey, which is very puzzling for both the visitor and the visitor attractions themselves, improving compliance as well as engagement with charity supporters. | Whilst visitor attraction charities would hope that this would lead to an increase in Gift Aid, in practice the level of Gift Aid on admissions is falling steadily, and so it is probable that over time this change would merely maintain the current level of Gift Aid, and so the cost change would be minimal. |
| <b>2(d) Uplift the de- minimis (relevant value) limits on Gift Aid donor benefits (s197 CTA 2010 and s418 ITA 2007)</b>                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                     |
| The value of donor benefits that can be provided to a donor who has made a charitable donation on which the charity has claimed Gift Aid were updated in FA2019 s. 40 to be 25% of the value of the gift where under £100, or £25 plus 5% for gifts over £100, with a £2,500 cap                                                                                                                            | We propose an increase in the value of donor benefits to reduce risk of charities inadvertently breaching these limits for smaller donations. We suggest increasing the limits to be 25% of the value of the gift where under £200, or £50 plus 5% for gifts over £200, keeping the overall cap of £2,500.                                                                                     | The Exchequer cost of increasing the threshold would be minimal as charities generally want to maximise the value from donations and so rarely breach these limits.                                                                                                                                                 |

| Description                                                                                                                                                                                                                                                                                                                                    | Proposal                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Cost                                                                                                                                                                                                 |
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| <b>2(e) Uplift the maximum top up limit for the Gift Aid Small Donations Scheme (GASDS) in line with CPI</b>                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                      |
| <p>The current top up limit is £8,000 (s1, Small Charitable Donations Act 2012). This amount was last updated with effect from 6<sup>th</sup> April 2016 by The Small Charitable Donations Act (Amendment) Order 2015.</p> <p>Likewise, the cap of £30 for donations is also out of step with the current limits for contactless payments.</p> | <p>We propose a review of GASDS including consideration around an increase in the top up limit to £10,000 to increase it in line with Consumer Prices Index (CPI) and an increase in the current cap on contactless payments.</p> <p>The GASDS is of special benefit for smaller charities where it makes a material difference in their available funds. For example, many churches which benefit from the GASDS provide support to those in poverty or distress. An increase in GASDS would allow those charities to increase the level of service provision for beneficiaries, which in turn should result in a reduction in cost burden for the state.</p> | <p>The Exchequer cost of increasing the threshold would be minimal, as while this scheme is very important for local charities and churches, its cost is very limited in the economy as a whole.</p> |

| Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Proposal                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Cost                                                                                                                                                                                                                                                                                                                                                            |
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| <b>2(f) Simplify the zero-rating relief for buildings used for a relevant charitable purpose (RCP) (Schedule 8 Group 5 item 2 of VATA 1994). Move to end</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                 |
| <p>The benefit of this would be to reduce the risk of error and encourage collaboration with commercial organisations. This relief is potentially a very valuable relief for charities, but it is very restricted in its application due to the requirement to use a building 'solely' for non-business purposes i.e. business usage must fall below a 5% cliff edge, So a new building used 95% for non-business purposes will be eligible for VAT relief whereas a building used 85% for non-business purposes will not be eligible for any relief. Once claimed, if future opportunities arise to work with commercial partners, a charity will have to decide between forgoing the RCP relief or declining the opportunity to work with commercial partners. There is clearly an inconsistency in Government policy here: the Government expects charities to contribute to growth through commercialising IP and engaging in partnership with the commercial sector to help drive economic growth while, on the other, it denies them VAT relief should they do the very thing that they are asked to do.</p> | <p>We propose that zero-rating be granted proportionally to the non-business use of the new building. If a building is to be used for non-business purposes for 85% of its use, then it should benefit from 85% VAT relief. A capital goods-type calculation would then deal with future changes of use, as is the case with buildings which have some exempt use. This would allow charities to put their assets to the best possible use without being hindered by VAT considerations which currently act as an inhibitor for collaboration with commercial and other parties. Research is hugely valuable to the UK economy. The recent report by the Association of Medical Research Charities and Wellcome<sup>6</sup> found that clinical research funded by charities and the public sector contributed £72.7bn to the UK economy between 2014 and 2024. The analysis, carried out by Frontier Economics, reveals the 'triple dividend' this type of research brings to the UK: unlocking growth, supporting the NHS and improving lives.</p> | <p>Whilst this VAT relief will come at a cost to the Exchequer, the opportunity for charities to collaborate with commercial partners without compromising their ability to access this VAT relief should facilitate a widening of the activities and impact of charities in delivering economic growth, which will make a significant contribution to GDP.</p> |

<sup>6</sup> <https://www.amrc.org.uk/news/new-report-showcases-the-value-of-non-commercial-clinical-research>



| Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Proposal                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Cost                                                                                                                                                                                                                                                   |
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| <b>2(g) Uplift the charities small scale non-charitable trading exemption (s480 CTA2010 &amp; s526 ITA2007)</b>                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                        |
| This exemption which enables charities to carry out a small amount of trading without the need to consider the corporation tax implications. Where accessible this relief reduces the administrative burden and also avoids charities needing to adopt more onerous corporate structures which would otherwise be used to access Gift Aid to shelter taxable profits arising from this income. The limit was last increased to £80,000 for accounting periods beginning on or after 1 April 2019 by FA 2019 s. 41.   | We propose an increase in the charities small scale non-charitable trading exemption to £150,000. Whilst the CPI inflated value of the current exemption would be £102,000 at the end of 2024, we feel that the limit should be further increased to reduce the frequency of uplifts and encourage operational efficiencies by removing the need for onerous corporate structures in more charities.                                                                                                                                                                                                                                                                                                                    | This change should be cost neutral for the Exchequer, as charities either remain below the limit or move their trading activities into a subsidiary company where profits can be sheltered by Gift Aid but incurring substantial administrative costs. |
| <b>2(h) Lift the prohibition on charities investing in insurance wrapped products which are available to pension funds</b>                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                        |
| We have been working with the Charity Investment Consulting Partnership (CICP) which is group of independent investment consultants who advise charities, endowments and foundations on their investments. Their purpose in raising this issue is to potentially unlock a section of the pooled fund investment universe, 'unit-linked insurance products' which are currently considered inaccessible to charities (see guidance in <a href="#">Annex vi</a> )– restricting choice and increasing investment costs. | <p>HMRC's current interpretation is that premiums paid by charities on insurance policies (including policies assigned in favour of charities) are not qualifying investments within type 12 of s511 CTA 2010, and that the payments are not qualifying charitable expenditure. Similarly, the income and gains generated are not included in the charitable tax exemptions.</p> <p>We would like HMRC to update their interpretation that these investments do fall within type 12 and the income and gains are capable of falling within the charitable tax exemptions.</p> <p>This would encourage further active investment by charities in the wider economy rather than encouraging holding reserves in cash.</p> | There should be no cost to the exchequer in making this change because charities are currently not investing in these products and so there are no associated tax receipts                                                                             |

| Description                                                                                                                                                                                                                                                                                                                                                                                                                 | Proposal                                                                                                                                                                                                                                                                                                                                                                          | Cost                                                                                                                                                                                                              |
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| <b>2(i) The tax relief for Orchestras should be extended to include choirs</b>                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                   |
| <p>The Government currently supports orchestras and other creative sectors through a tax credit scheme. Although they are similar in nature to other musical events, performances by choirs are not eligible for relief. Choirs are also not eligible for relief under the theatre tax credit reliefs. This does appear to be an anomaly as there is no obvious reason to exclude this activity from the reliefs given.</p> | <p>In support of a proposal submitted by the charity, Making Music, we propose that Orchestra Tax relief is extended to include choirs who cannot currently benefit from creative industry reliefs which would enable them to extend their reach and recruit more members. There is evidence that choir singing improves health<sup>7</sup> reducing the burden on the state.</p> | <p>Substantial impact for small charities. Although the benefit for groups applying for this relief is substantial compared to their operating budget, the overall cost to the exchequer would be very small.</p> |

<sup>7</sup> <https://www.ox.ac.uk/research/choir-singing-improves-health-happiness-%E2%80%93-and-perfect-icebreaker>

| Description                                                                                                                                                                                                                                                                                                                                         | Proposal                                                                                                                                                                                                                                                                                                                                | Cost                                                                                                                                                                                                                |
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| <b>Theme 3 -Modernisation of legislation and practice in the tax system move to 2</b>                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                     |
| <b>3(a) Modernisation of the infrastructure to claim Gift Aid reliefs</b>                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                     |
| Gift Aid relief is worth £1.7bn <sup>8</sup> a year. However, the current Gift Aid system was introduced at the turn of the century as a paper-based scheme. It now needs updating to ensure it is fit for purpose for the digital age, in line with the Tax Transformation Roadmap <sup>9</sup> and recognising the impact of new payment methods. | We propose that the Government continues to prioritise The Future of Gift Aid Project <sup>10</sup> , which is a collaboration between charities, HMRC and businesses on modernisation and use of digital technology to reduce incorrect claims (c£200m each year), complexity, and compliance costs through a move to a digital system | Although there may be some implementation costs, this change will significantly benefit both HMRC, the charity sector and its donors through simplicity, reduction in errors and costs of administering the scheme. |

<sup>8</sup><https://www.gov.uk/government/statistics/uk-charity-tax-relief-statistics/uk-charity-tax-relief-statistics-commentary#table-1-summary-of-uk-tax-reliefs-for-charities-and-donors>

<sup>9</sup> <https://www.gov.uk/government/publications/hmrc-transformation-roadmap/hmrct-transformation-roadmap>

<sup>10</sup> <https://www.charitytaxgroup.org.uk/tax/donations/future-gift-aid-project/>

| Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Proposal                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Cost                                                                                                                                                                                                                                                                                                                       |
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| <p><b>3(b) Reform and modernisation of VAT reliefs for people with disabilities</b></p> <p>Many of our charity members are established to support people with disabilities. There is some VAT relief available for people with disabilities. However, due to the previous restrictions in EU law which prevented any extension of zero rates, the UK has been unable to modernise this relief to reflect society's better understanding of disabilities, their impact upon individuals and any developments in technology or approach since the early 1980s. The legislation itself is difficult to understand and often leads to misunderstandings, failure to claim relief or errors in relief that has been claimed. Some of the language used in the legislation is outdated: for example, the relief available for talking books for blind people is almost useless nowadays because it refers for the most part to technology which is no longer used and does not encompass developments in technology such as audio books available through the internet.</p> | <p>In the first instance, we propose that the Government engages with the CTG and its members on the how it is possible to improve and modernise the VAT reliefs for people with disabilities by bringing them up to date.</p> <p>There is further work which could be done here in re-examining the whole scheme of tax reliefs for people with disabilities, eliminating unfairness, and aligning them with current government policies, in particular helping more people with disabilities into work.</p> | <p>Changes to disability reliefs could be cost neutral for the Exchequer and could bring about significant benefits to both people with disabilities, organisations that support them including employers, and help the Government to achieve its ambitions including helping more people with disabilities into work.</p> |