**Annual Return 2018 consultation – CTG response**

**24 November 2017**

**About the Charity Tax Group**

The Charity Tax Group (CTG) has over 500 members of all sizes representing all types of charitable activity. It was set up in 1982 to make representations to Government on charity taxation and it has since become the leading voice for the sector on this issue.

CTG welcomes the opportunity to respond to this consultation and would be happy to meet officials to discuss our answers in greater detail.

**General issues**

We have not answered all of the questions in the consultation document, rather focusing on those areas where our members have offered specific opinions.

As a general observation, while these questions should increase overall transparency – which we are in favour of – we are uncertain as to the actual usefulness of the data that many of them will collect. It is not always clear how the Commission will actually use this data to achieve its aims. In a number of instances, there is also a clear duplication of information required with that already available in charity accounts and tax returns and we are not convinced by the Commission’s arguments for being unable to access this information.

While the actual cost of submitting each bit of newly required information may be small, the overall additional administrative burden on charities (particularly small ones) is unlikely to be negligible. Therefore, though charities are usually willing to give this extra effort to provide information that is in the public interest, most would be reticent to provide information that should be available elsewhere and which appears to be of limited usefulness against stated objectives.

**Gift Aid income**

1. Do you agree with the proposal to introduce this question about Gift Aid?

No. While members have stated that they are happy to provide information, the disclosure of which is in the public interest, we find it difficult to understand precisely how the introduction of this question would actually meet the objectives stated in the consultation document.

The stated purposes are: (1) to enable risk assessment to ensure that trustees are compliant, (2) to deal efficiently with cases where there is evidence of poor administration, and (3) to identify trends in Gift Aid claims. We cannot see how asking for the total amount claimed would provide any meaningful and timely information to aid the Commission in satisfying these objectives. The compliance of this tax relief is policed by HMRC which receives far more detail from the charity in “real time” to support the claims.

1. We intend to publish the information resulting from this question on the charity’s public register page. Do you consider that publishing the information resulting from this question would aid general transparency and accountability?

Yes. Publishing the amount of Gift Aid claimed on the public register might well increase transparency and we are aware of some charities that already provide this information on a voluntary basis for this purpose. It would also identify charities or parts of the charity sector which are not taking advantage of Gift Aid or who are not able to benefit.

1. Are you aware of any other sources from which the Commission can obtain the information being sought in these new questions?

The consultation document notes that HMRC already collects some of this information and we believe that asking the question in the Annual Return would essentially duplicate this data collection. We remain unconvinced by the explanation given in the consultation document as to why the information on Gift Aid that could be provided by HMRC would not meet the Charity Commission’s needs.

1. If your charity would have to provide this further information about Gift Aid, is there a cost in putting this together?

While the information itself may not be difficult to provide, it is worth being aware that there is often a disparity between the figures for the amount of Gift Aid income receivable and the amount of Gift Aid claimed, due to variable filing periods or HMRC denying claims for example. For any charity that prepares accruals accounts (which would account for the vast majority of Gift Aid), providing the amount receivable would be far simpler than providing the amount claimed and there would certainly be some extra work in requiring the proposed figure to be reported.

It is also worth noting that the difference between these two figures – as well as the disparity between Gift Aid and the Gift Aid Small Donations Scheme figures – might well be a source of confusion for charities, leaving them liable to provide incorrect information. This would further diminish the information’s usefulness.

**Overseas income**

1. Do you agree with the proposal to introduce this series of questions about the income which a charity receives from countries outside the UK?

Don’t know. The stated purpose of this question is to provide a fuller picture of charity funding, including the source of funds, however we are doubtful that the question, as it is currently structured, will provide clarity.

The question refers to “income”, without offering a clear definition, before asking for it to be categorised by payer type – offering a small list of options. This list does not include all possible types of payer or source, meaning that it will not be possible to test the completeness of these answers by reference to the charity’s Financial Statements. For example, missing from the list are: payments from corporates in the form of donations or payment for services and investment income (either quoted or unquoted). This question also fails to capture loans as a source of funding.

Using a drop-down list, which prompts responses from options a) to e), country by country, will require considerable manual input if a charity is in receipt of income from many countries and/or different payer types. We believe that there should be an option to provide this information in an alternative format.

Equally, option d) refers to “individual donors, resident overseas”. It is quite possible that the charity will not know the country of residence (be it tax or normal place of abode) of an individual. The donation could have been made by a non-resident whilst temporarily in the UK or by a UK expat living overseas. Assuming that the purpose of this question is to identify significant donors, we therefore think that a *de minimis* amount might prompt a more useful response from charities to enable the Commission to better identify risk.

1. We do not intend to publish information resulting from this question on the charity’s public register page. Do you agree that data provided by individual charities in response to this question should not be published?

Yes. We do not see any public benefit arising from this detailed disclosure.

1. Are you aware of any other sources from which the Commission can obtain the information being sought in these new questions?

No.

1. Do you agree that all charities with an income in excess of £10,000 should be asked these questions about income from overseas?

No. This would capture many charities where risk would seem to be low in absolute terms.

1. If your charity would have to answer these questions about income from overseas, is there a cost in putting this together?

Yes. Record systems do not identify payers according to the categories used in options a) to c). Answering this question would therefore requires a separate manual exercise to be performed.

1. We propose to ask for the value of the income from each question to be given in Pounds Sterling. Do you agree that this is appropriate?

Don’t know. In principle we agree, but it would depend on whether a spot or average exchange rate were to be used.

1. Some charities may find it easier to report the income received in US Dollars. Do you think that there should be an option to report in either Pounds Sterling or US Dollars?

No. The functional currency used in the financial statements should be used, with the Euro accepted as an alternative reporting currency.

**Land & Buildings**

1. Do you agree with the proposal to ask charities which own or lease land and/or buildings if they receive rate relief?

While there would be no particular cost in answering this question, it would be expected that a charity would claim business rates relief if it were eligible to do so. We would therefore find it strange to ask a charity that is entitled to claim whether or not it does so. On the other hand, if it became apparent, for example, that numerous eligible charities were in fact not claiming business rates relief, a simplistic “no” answer to this question would not actually yield any useful information about the reasons for the lack of claim.

**Trading subsidiaries**

1. Do you agree with the proposal to ask charities about whether trustees are also directors of the subsidiary company?

While we understand this question’s relevance, in highlighting any potential internal conflicts of interest for trustees, we feel that it lacks necessary nuance. Knowing the number of trustees who are also directors of subsidiaries does not paint an accurate picture of how much time each trustee spends acting as “director” and therefore how much time is diverted from their duties as a trustee. The question also ignores the possibility of a charity having multiple subsidiaries and cannot identify whether each individual subsidiary has a different trustee as its director. If this question is to be asked, we believe it should be rephrased in order to capture this information.

**CTG – 24 November 2017**