



Navigating the charity tax maze

Annual review 2015-16

Annual Conference 2015



“We would like to express our sincere appreciation to CTG for organising various discussion forums on Gift Aid and GASDS consultations, bringing HMRC, HM Treasury and charities together over the years. This has helped our charity to influence policy and legislation on those subject matters.”

Eugene Rutayisire
Finance Manager - Income
The Methodist Church

Chairman’s Report

This has been another busy year for CTG. With increased scrutiny of charities, CTG has remained a strong voice: defending the sector, while encouraging informed and responsible behaviour to protect the integrity of our invaluable tax reliefs.

Our priority remains to improve the tax position of charities. We continue to do this by fighting the introduction of new taxes; resisting the reinterpretation of existing reliefs; working with HMRC on better guidance and, crucially, ensuring you are regularly updated on key developments.

Strong working relationships

The strong working relationships we have developed over the years with both HMRC and the Treasury are crucial and we enjoy a reputation for making well-informed technical representations. This has helped us secure some important wins for charities including: exemptions from some new anti-avoidance legislation and the negotiation of a longer transitional period to ensure that the VAT treatment of direct mail arrangements was correct. CTG played a key role in negotiations with Government on the introduction of a limited VAT refund scheme which has established an important precedent and will strengthen our longer-term campaign for a wider refund scheme. Our efforts have helped to protect crucial reliefs, particularly on business rates as well as obtaining important simplifications to the Gift Aid Declaration and improved Retail Gift Aid guidance. Our negotiations – often behind the scenes – continue to save the sector millions of pounds.

The year ahead

The year ahead will be equally busy. We are involved in discussions on the implications of tax devolution as well as the impact of the outcome of the EU referendum. The recently-announced review of VAT rates by the European Commission presents both opportunities and risks and CTG will continue to lead the response on this with colleagues across Europe. We await the outcome of recent consultations on the simplification of the Gift Aid Donor Benefit rules and the Small Donations Scheme, as well as on our negotiations for a charity exemption from the 45% tax on restitution interest. We will also continue to work with Government to ensure that the Apprenticeship Levy is proportionate and accessible for affected charities.

Keeping you updated

The most significant aspect of our work has been the development of a new CTG website which incorporates a fully-integrated version of the Charity Tax Map. Not only can you now search by tax type, you can also search by activity and see, at a glance, what taxes may be involved. We launch the website at the Tax Conference and I look forward to getting your feedback.

This review can only give a brief summary of our achievements over the year and I urge you to use the website to get fully involved in our work: it is an important interactive tool that provides an invaluable resource to help you day-to-day. We could not have produced it without the generous support of our sponsors: the Nuffield Foundation and the RNLI. Nor would it be so robust without the technical input of our valued Observer members.

This year, my main thanks go to Peter Jenkins, CTG’s technical adviser for the past thirty years. He will be sorely missed except, perhaps, by HMRC! Although it will be impossible to replace him, we are delighted that Graham Elliott has agreed to take on this role. Graham is a well-respected VAT and charity tax specialist and his experience and expertise will ensure that CTG continues to benefit from the highest level of advice and support.



John Hemming, chairman

Helping you find your way

Our new Charity Tax Group website is designed to be an important tool to help you find your way through the increasingly complicated tax landscape. It incorporates an interactive version of the Charity Tax Map and is a must-visit, comprehensive and up-to-date resource for everyone who wants to stay informed about charity tax.

The new Tax Map has the added facility for navigating by activity. For example, if you want to use Gift Aid on a sponsored fun run, you would previously have found the relevant information in the Income Tax Chapters of the Tax Map but, through the online version, you can now take an intuitive path through fundraising activities, which then points you to other related tax issues and activities. By cross cutting the tax types the reader is able to review very quickly all the taxes that might be involved in a particular activity.

But, not only do you see all the tax map content, you also get links through to the HMRC guidance on the gov.uk website.

Find charity tax information

Tax type

+

Activity type

-

Advertising provided to third parties

▼

Advertising/self-promotion

▼

Arts/Cultural/Heritage

▼

Books

▼

Charity shops

▲

Business rates – Property wholly or mainly used for charitable purposes

Charitable relief from Community Infrastructure Levy (CIL)

Consequences of non-primary-purpose trade

Cost allocation

Donated goods – Gift Aid

Donated goods – VAT zero rating

Employment Allowance

General VAT principles

Gift Aid Declarations

Mixed primary and non-primary-purpose trading

Primary-purpose trading

Retail relief

Sale of donated goods

SDLT – Charity relief

Small trade concession

Trades carried out by beneficiaries

Use of trading subsidiaries and Gift Aid

Cost sharing

▼

Stay updated

We often hear from members about how much they value our regular updates on key tax topics. One of the benefits of the new website is that you will be able to personalise what you get updated on and how often you want to receive the information.

Our other communications with members will also be changing as our regular **e-mail bulletins** will be sent through **newsletters** from the website and members will be able to **register for events** and **respond to consultations online**.

This new project has been a major investment by CTG and we are grateful to the Nuffield Foundation and the RNLI, which helped to fund the project, and to all those who contributed their time and expertise.

This is your resource so bookmark the new website address now: www.charitytaxgroup.org.uk


Stay updated with our news

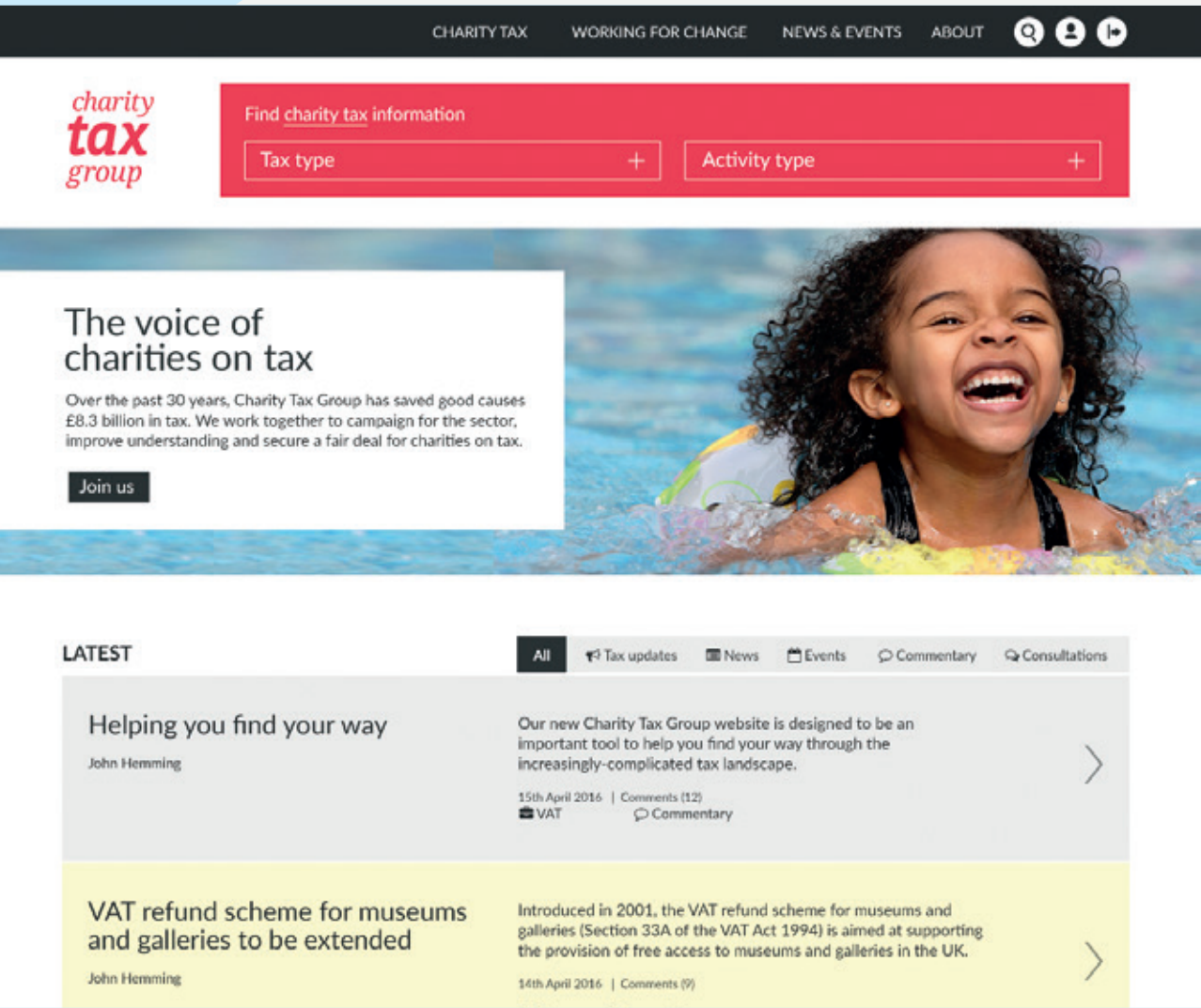
Name

Email

→

Get email updates on Donations and Gift Aid

 Add this to my profile



Points of interest

| | January | February | March | April | May | June | July | August | September | October | November | December |
|-----------------------------------|---------|----------|-------|-------|-----|------|------|--------|-----------|---------|----------|----------|
| Publications and members' updates | 3 | 6 | 9 | 7 | 6 | 6 | 5 | 4 | 2 | 9 | 9 | 4 |
| Meetings with officials | 5 | 5 | 4 | 1 | 2 | 3 | 2 | 1 | 5 | 2 | 2 | 1 |
| CTG initiative working parties | 2 | 1 | 5 | 2 | 1 | 1 | 3 | 4 | 1 | | 1 | 1 |
| Invited Expert representation | 1 | 1 | | | 1 | 2 | 1 | 1 | 2 | 2 | | 1 |
| Member and sector meetings | | 2 | 1 | 2 | 1 | 2 | | | 1 | 1 | | 1 |

Publications and members updates

Members updates on topics including Gift Aid, VAT, Business Rates, HMRC and Charity Commission guidance, Payroll Giving, Devolution, SITR

10 Consultation responses

Letters to Ministers on Business Rates, Gov.uk, Budget and Autumn Statement 2015, VAT refunds, Gift Aid reform

30+ press articles and features on a wide range of topical tax issues

Sector meetings with Government officials

Charity Tax Forum

Charity Tax Roundtable with the Minister

JVCC meetings

Government working groups on: Gift Aid Donor Benefits, Gift Aid Intermediaries, Gift Aid Declaration, Scottish Devolution, Business Energy Efficiency, Retail Gift Aid

CTG Meetings with Government officials

Meeting with HMRC Charities team

Meeting with HMT Charities team

Meetings with senior HMRC/HMT officials on: direct mail, medical research zero rating, tax on restitution interest, VAT refunds for SARs and hospices

Post-Budget briefing with HMT officials

Discussion with European Commission officials

CTG led working parties

VAT Expert Group (VEG) meetings

Donor benefits working group

Direct Mail working group

CTG policy strategy meeting

ECCVAT

Invited Expert representation

Presentations at :BUFDG conference, ICAEW Charity conference, Charity Accountants Conference, Charity Finance Summit, ICAEW Future of Charity Taxation event, ACF (FIRM) Conference

Local Authority National VAT Consultative Group

Meeting with Revenue Scotland

Member and Sector meetings

Tax Conference

Scottish devolution seminars in London and Edinburgh

Observer member meetings

Sector Gift Aid promotion meeting

Gift Aid Donor Benefits Seminar

Meetings with individual charity members

Meetings with individual Observer members

Liaison meetings with BUFDG

Sector business rates meeting

Navigating the obstacles to fairer charity tax

Gift Aid

- CTG Management Committee members were invited to work with HMRC to introduce a new shorter and simpler Gift Aid Declaration that should be easier for donors and charities to understand. CTG also helped to negotiate the protection of existing enduring declarations and a concession from HMRC to allow charities to use up existing stocks of the old Declarations.
- CTG responded to the Call for Evidence on simplifying the Gift Aid Donor Benefits rules, following a series of consultation meetings with members and HMRC officials. CTG highlighted small changes that would improve the existing rules and stressed the importance of clear and accessible guidance and clarification of the “in consequence rule”. The Government’s response to the consultation reflects a number of these recommendations and we will continue to work with officials to ensure the Scheme is effective and practical to operate.
- Following representations by CTG and other sector bodies, HMRC agreed to increase the level of eligible donations for the Gift Aid Small Donations Scheme (GASDS) and to bring forward a Call for Evidence on the efficacy of the Scheme. CTG has since responded to this consultation outlining measures that would increase the take-up of the Scheme, particularly among smaller charities. However we have stressed that this will require greater flexibility in the application of the eligibility criteria (for example the requirement for a Gift Aid history) and less complexity in the administration of the Scheme.
- CTG worked with charity shop representatives and HMRC to rewrite and simplify the Retail Gift Aid guidance. The changes mean that charities are no longer directly liable for incorrectly claimed Gift Aid and should ensure best practice is implemented consistently in charity shops. CTG continues to campaign for the introduction of a de minimis limit of sale proceeds before an end of year letter has to be sent.
- CTG has continued to work with HM Treasury to consider the implications for Gift Aid of further devolution of tax powers to Scotland. While there are no current plans for a divergence in basic income tax rates between Scotland and the rest of the UK, it is important that charities understand the implications of different solutions if that happens. This may result in maintenance of the status quo for charities and donors, but this could mean that some benefit or lose out, so a full understanding of all the possible options is important.

Charity Exemptions

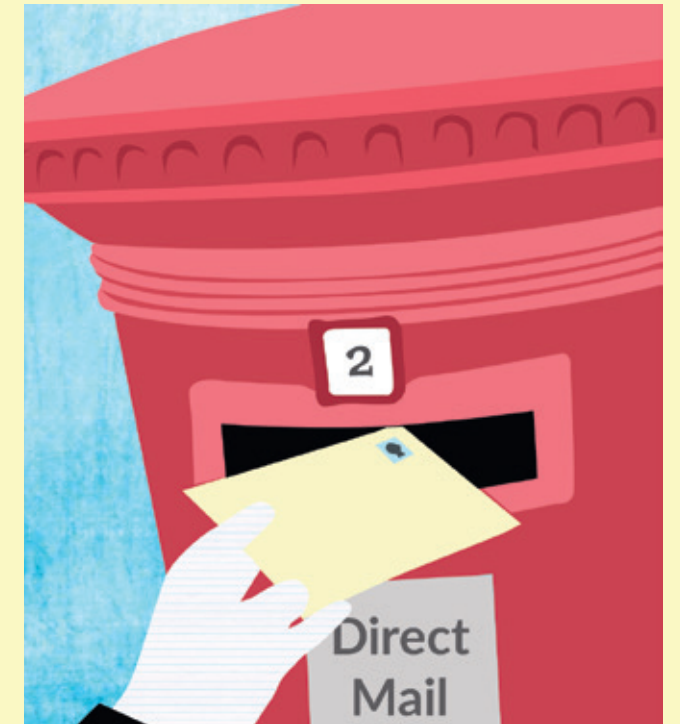
- CTG obtained a charity exemption from the Diverted Profits Tax, having identified that charities would be inadvertently caught by the legislation. CTG also secured a charity exemption from the close company loans to participators rules from October 2015. Both exemptions saved the sector a potential bill of millions of pounds.
- The Finance Bill 2015 introduced a new 45% corporation tax rate on “amounts taxed as restitution interest”, which could have a particularly adverse impact on charities. CTG has raised these concerns with HMRC and is confident that a charity exemption will be secured given that charities were never the intended targets of the legislation.
- In response to the Government’s Business Energy Efficiency Review, CTG called for charities to be exempt from proposed changes to energy taxes and for there to be proportionate reporting. The Government has since confirmed that the Climate Change Levy (to which charities receive exemption on their non-business activities) will be retained, and also confirmed that it will consult on de minimis arrangements to exempt small or low energy-consuming charities from reporting requirements.

VAT

- CTG worked with SAR charities and hospices to oversee the implementation of the new S33c **VAT refund scheme** that covers their non-business activities. The refunds are expected to save these charities up to £50m a year and have set an important precedent for the wider sector with CTG planning further work to campaign for the scope of the refunds to be widened in 2016.
- Following representations from CTG, HMRC accepted that its guidance on the **VAT treatment of direct mail** arrangements was not clear and had resulted in misunderstandings. Officials agreed to postpone the implementation of new VAT rules for 10 months while CTG helped them to draft new guidance and confirmed that no retrospective action would be taken except in cases of clear avoidance or abuse. This concession is estimated to have saved charities millions of pounds.

Business Rates

- CTG secured confirmation from the Minister responsible for charity taxation, Damian Hinds MP, that the Government’s proposals to devolve complete control of funds raised through business rates to local councils would not have an adverse effect on charity business rates relief in England, which are worth over £1.5bn a year. CTG highlighted the value of the charity relief in its response to the Business Rates Review and the Government has since confirmed that, following representations from the sector, these charity reliefs will be maintained. A hugely important issue for charities.



“Aside from maintaining its position at the cutting edge of charity tax developments what has really impressed me over the past year is the sheer doggedness and resilience of CTG when faced with such challenges as HMRC’s revised policy on the VAT treatment of direct mailing.”

James Hurst
VAT Partner, Mazars

Benefits to members



Representation

CTG is well represented on HMRC's Charity Tax Forum and on HMRC technical working groups. CTG has regular discussions with Ministers and officials responsible for charity taxation and makes regular representations on your behalf. CTG's Committee Members are all volunteers with day-to-day practical experience of tax issues. Through our charity and Observer members, we bring together leading voices in the world of charity tax.

A voice in the EU as well as the UK

The EU is continuing fundamental reform of the VAT system and CTG continues to represent the interests of UK charities at a European level. By working closely with European partners through the ECCVAT network, CTG ensures that the European Institutions understand and consider the implications of VAT reform for charities.

CTG website

CTG has now launched its new website, centred on a brand new Charity Tax Map web portal. The Charity Tax Map includes the latest legislative, policy and case law developments, and details the taxes that charities pay, the reliefs they get and the compliance burdens they face. Members can also use the CTG website to keep up to date with meetings, consultations and policy updates.

Access to the Group's Charity Tax Helpline

Run by prominent tax professionals working in the charity sector, this free service helped over 50 charities resolve some complicated tax queries last year and gave specific information to many others. Requests to use the helpline can now be logged online.

E-mail updates

One of the most valued of our membership benefits is the regular e-mail updates on charity tax developments, which ensure that you are up-to-date on the issues and lobbying work that CTG is undertaking on your behalf. Charities can also follow developments as they break on our Twitter feed @CharityTaxGroup

Meetings

- **Annual Tax Conference** – The Conference is always addressed by high-profile speakers, including Treasury Ministers. This year we will assess the implications of the new Government's first March Budget.
- **Topical Seminars** – CTG provides regular update meetings for Members, often with HMRC participation.
- **Technical working groups** – CTG organises sector-wide technical working groups on topical direct and indirect tax issues. These groups are crucial in shaping CTG's campaign strategy and consultation responses.
- **Regional Meetings** – In 2016, CTG will hold policy and practical updates for charities across the UK.

Management Committee

Committee Members



John Hemming
CTG Chairman
Head of Tax, Wellcome Trust



Kevin Russell
CTG Vice-Chairman
Technical Director, Stewardship



Richard Bray
CTG Vice-Chairman
Finance Regulatory and Taxes Manager
Cancer Research UK



Justin Bevan
Gift Aid & Tax Manager
Oxfam



Philip Hayes
(appointed September 2015)
VAT Manager, University of Oxford



John Huke
(stepped down September 2015)
Tax Manager, University of Oxford



Paul Johnson
(stepped down February 2016)
Tax and Compliance Manager, RSPB



Darren Spivey
Head of Corporate Finance
RNLI



Philip Spedding
Director of Development
London Library

Advisers



John Crowther
CTG Treasurer
Retired Charity Finance Director



Karen Atkinson
Acting Director of Finance,
Prostate Cancer UK



Ruchir Shah
Head of Policy, Scottish Council for
Voluntary Organisations (SCVO),



David Warrellow
Tax Manager, National Trust

Technical Advisers



Peter Jenkins
Technical Adviser
(stepped down April 2016)



Graham Elliott
Technical Adviser
(appointed April 2016)

“A huge thank you to the team at CTG who are a great source of sound and professional knowledge for the sector. They manage to tailor the needs of small and large organisations alike.”

Monica Varriale
Chief Financial Officer, Serpentine Galleries

Charity Tax Group (CTG) is dedicated to improving the tax position of charities and campaigns on the key issues affecting the sector.

CTG continues to persuade the Government to introduce new tax reliefs as well as successfully campaigning to protect existing concessions, saving charities many millions of pounds.

CTG is the only organisation to work exclusively on tax issues and is funded entirely by donations from charities and subscriptions from charity advisers.

MEMBERSHIP

Charities are asked to make a donation to cover the costs of our campaigning work. Please give as much as you can to help us achieve a fairer, simplified tax deal for all charities. Professional members pay a fixed subscription dependent on size and location.

For further information about becoming a member of CTG please contact us at info@charitytaxgroup.org.uk or on 020 7222 1265. Alternatively, visit our website www.charitytaxgroup.org.uk or follow us on [Twitter @CharityTaxGroup](https://twitter.com/CharityTaxGroup)

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