

Charity Tax Group

(registered as a company limited by guarantee in England and Wales)

(Registered number: 08028281)

Unaudited

Directors' report and financial statements

for the year ended 31 December 2020



Charity Tax Group

(registered as a company limited by guarantee in England and Wales number 08028281)

Report and financial statements for the year ended 31 December 2020

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Charity Tax Group

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Company information

Directors

B T Brand (Resigned 5 May 2020, reappointed 1 January 2021)

Vice-Chairman to 23 March 2021/
Chairman from 24 March 2021

R V Bray

A G Disley (Resigned 9 November 2020)

P M Hayes (Resigned 20 April 2021)

J D Hemming (Resigned 24 December 2020)

Chairman to 24 December 2020

F Iqbal (Resigned 10 August 2020)

K J Russell

Vice-Chairman

J P C Spedding

M Varriale

Company Secretary

S A Nunn

Registered number

8028281

Registered Office and Operating address

Church House
Great Smith Street
London SW1P 3AZ
United Kingdom

Bankers

Metrobank PLC
120 Cheapside
London, EC2V 7JB

Barclays Bank plc
1, Churchill Place,
London E14 5HP

The Charity Bank Ltd
Fosse House
182, High Street,
Tonbridge TN9 1BE

Independent Examiner

Anthony Alford
Chartered Accountant
Shepherd's Crook
Netherbury
Bridport
Dorset DT6 5LY

Solicitors

Wrigleys Solicitors LLP
19 Cookridge Street
Leeds LS2 3AG

Charity Tax Group

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Report of the Directors/Trustees Report for the year ended 31 December 2020

The directors present their report and the financial statements for the year ended 31 December 2020.

Our Aims and Objectives

Purposes, Aims and Principles

As outlined in its Articles of Association, the objects of the Charity Tax Group (CTG) are to promote the improvement in the fiscal treatment of registered charities and similar bodies through representation to the UK Government, and other bodies as deemed appropriate or such other similar purposes as the Directors shall direct.

CTG is not itself a charity. However, the directors, having regard to the Charity Commission's published guidance on the Public Benefit requirement under the Charities Act 2011, consider that the company operates for public benefit.

CTG has adopted guiding principles. These are:

- Striving for technical excellence in all aspects of tax that impacts on charities
- Providing practical support to tide charities through the pandemic by mitigating their tax burden and providing informed and relevant guidance.
- Working with others to maximise our impact.
- Developing a sustainable funding structure that matches our ambition.
- To be brave and innovative.

The focus of our work

The main focus areas for CTG are ensuring that our services are useful and relevant to charity and observer members of all sizes and complexity; that our activities serve the goal of representing the charity sector to ensure that any proposed tax-related changes that may have an impact on it are proportionate in terms of both fiscal and administrative impact; and that the fiscal burden on charities is minimised to ensure that more of its resources can be allocated to providing public benefit.

How our activities deliver public benefit

The information services provided through CTG's website are available for all to use, as are its regular meetings and online training sessions. The main groups using those services are charities themselves, and professional firms providing tax services to the charity sector. These professional firms ensure that the impact of CTG in the sector is felt far beyond its immediate membership.

Primary activities in 2020

Highlights of 2020 include the following:

- In the early days of the pandemic, CTG swiftly developed a COVID-19 Information Hub to ensure that charities were able easily to navigate the plethora of information published by the Government on grant funding, the Job Retention Scheme and other tax reliefs and deferrals. In April and May 2020 alone, CTG's website received almost 150,000 page views, as charities sought urgent support and advice. CTG did not just disseminate information. It also successfully lobbied, by itself or with others, for improvements, such as an additional small business grant to help those charities and businesses that could not access current grants.
- CTG was part of the charity coalition that put forward the need for Gift Aid Emergency relief to help resource the charity sector through the pandemic. We provided the concept of the idea and provided the technical support needed for it. Whilst the proposal was not ultimately accepted by the Government there was recognition that a strong technical and practical case had been made by the sector.
- CTG launched a new charity VAT strategy to tackle both the £1.8bn cost of irrecoverable VAT and protect VAT reliefs worth £1bn that our dedicated research project has identified. Stage 1 of the project, gathering information from charities on a voluntary basis on their VAT profiles, was completed during 2020.

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- Having ruled that most digital advertising would be subject to VAT (at 20%), HMRC raised assessments to recover such VAT from a number of advertising agencies, which have then passed the costs on to charities. Ever since that new approach three years ago CTG engaged with HMRC, charities, agencies and a leading tax barrister, lobbying to change this situation. And it has succeeded. In July 2020 HMRC wrote to CTG confirming that VAT would no longer be considered due on most search browsing advertisements, a major change that will save charities millions of pounds.
- CTG actively campaigned for the protection of charity business rates relief, worth £2bn a year, responding to a review commissioned by the UK Government
- CTG's Gift Aid Working Group is a meeting ground for charities seeking to improve Gift Aid, which is worth around £1.35bn a year to the charity sector. It has also delivered real impact. As an example, when HMRC were minded to require charities to provide full donor forenames on Gift Aid claims, it was through CTG's channels into HMRC that working group members successfully lobbied against this by highlighting the practical difficulties it would cause. HMRC dropped their proposals, ensuring that the charity sector would benefit from the estimated £135m in donations that would otherwise be lost.

CTG has played a leading role in arranging discussions between HMRC, Facebook and charities to break an impasse over the audit trail necessary for Gift Aid on Facebook donations, an increasingly important fundraising mechanism. Improved clarity should result in significant back claims of Gift Aid, providing essential income at a time when charities face significant funding difficulties due to COVID-19.

- CTG continued to co-ordinate the Future of Gift Aid Project. This long-term initiative aims to ensure that Gift Aid is fit for the digital age. It involves bringing together HMRC, charities, intermediaries, software providers and academics to develop long-term solutions to long-standing Gift Aid problems. Separate work streams have been established to look at: innovation needed in HMRC tax systems, Retail Gift Aid, the Gift Aid user experience and the technical challenges of Gift Aid.

Financial review

Principal funding sources

CTG receives voluntary contributions from Charity Members, usually on an annual basis, and receives annual fees from Observer Members wishing to use our services. These funds support CTG's general activities. Additional donations and grants are received in response to funding calls for specific, larger projects, and these funds are restricted for use on those specific projects.

Investment policy

Whilst CTG's Articles of Association provide the Board with the powers to invest CTG funds, funds are currently held in cash balances only.

Reserves policy

CTG aims to maintain reserves to fund CTG newsletters, events, website maintenance, regular professional fees and meeting costs for the next financial year. This level of reserves also helps ensure that CTG can fund emergency project work should this ever prove necessary.

Financial result for the period

CTG had a deficit of £6k for the year to 31 December 2020 (2019 - Surplus £25k). This deficit reflected the completion of the VAT research project where fees were paid of £32k. Of this sum £11k was in respect of funding received in a prior year. This means that in terms of routine CTG activity there was a surplus of £26k. Given the impact of the pandemic this was a good result and was made possible by the vast majority of CTG's income being due before the pandemic struck. Other expenditure was routine in nature apart from Counsel fees of £3.6k incurred in connection with CTG's work in relation to the VAT treatment of digital advertising.

Income generation in the year to 31 December 2021 has been better than budgeted for. This gives the Directors' confidence that CTG remains a going concern.

Plans for future periods

CTG will continue to provide its members with support on a wide range of fiscal issues in the uncertain world created by the global pandemic. In particular we will continue to progress the Future of Gift Aid project, and seek funding for further work to establish the socio economic benefits of charity tax reliefs. CTG will also make it a priority to respond on behalf of the charity sector to proposed legislative changes as they arise.

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CTG will also review its systems of governance with the aim of ensuring that they meet best practice for an organisation of its size. CTG aspires to meet the requirements of the Charity Governance Code for smaller charities. We believe that we owe it to the charity sector to demonstrate exemplary leadership and governance.

Structure, Governance and Management

Governing document

CTG is governed by the company's 2012 Articles of Association.

Recruitment and appointment of the Board

The Directors of the company are also the members of the company for Company law purposes and are elected by the Contributing Charity Members in accordance with the Articles of Association. No person other than a Director can be admitted as a member of the company. The Directors are recruited from the employee base of the Contributing Charity Members.

Professional firms with charity clients and which have an interest in tax issues are eligible to join as Observer Members, but are not Company law members of the company.

Board induction and training

CTG has in place terms of reference for new Directors, and is putting in place an induction pack for new Directors on the required governance for the company.

Risk management

CTG is developing a risk register to formally manage the risks identified by the Directors.

Organisational structure

The Board comprises a Chairman, Vice Chairman and other serving Directors with a range of tax and other financial experience. As well as the Directors, The Board also comprises a Treasurer (currently a volunteer) and other advisory members.

During the year The Board decided largely to separate the management of CTG from its day-to-day technical work. This resulted in the establishment of a VAT Technical Group and a Giving Technical Group. This allows the Board to focus on strategy and management.

Each group (including the Board) aims to meet monthly and to allow the maximum involvement of group members meetings take place remotely. The technical groups allow a greater spread of involvement with CTG.

CTG also maintained its Gift Aid Practical Issues Working Group during the year. This focuses on the day-to-day issues facing those working on Gift Aid issues in a charity. Membership is restricted to those working in charities. Due to the success of this group, CTG has launched a similar VAT Practical issues Working Group in 2021.

CTG appoints a Technical Advisor who advises the Board on all matters relating to charity taxation but especially with regard to VAT and Gift Aid. This role is currently filled by Graham Elliott who trades as City & Cambridge Consultancy.

Observer Member meetings are held three times a year and give the opportunity to provide a technical briefing to professional firms with an interest in charity tax issues.

CTG has no employees and contracts the running of CTG on a day-to-day basis to Central Lobby Consultants.

Volunteers

CTG is volunteer-led organisation. The Board is very grateful for the hours of commitment from our members in enabling CTG to be the effective organisation that it is.

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Going concern position

As more fully explained in note 2 to the financial statements the Directors have reviewed the current position of CTG with the potential effect of the COVID-19 pandemic on income and are of the opinion that there are sufficient resources available to enable CTG to continue in operational existence for the foreseeable future and, as such, CTG continued to adopt the going concern basis in preparing the financial statements.

Members of the Board

The Directors who served during the year were:

Barnaby Brand (Resigned 5 May 2020, reappointed 1 January 2021)
Richard Bray
Andrew Disley (Resigned 9 November 2020)
Philip Hayes (Resigned 20 April 2021)
John Hemming (Resigned 24 December 2020)
Favaad Iqbal (Resigned 10 August 2020)
Kevin Russell
Philip Spedding
Monica Varriale

Five Directors stood down in the year for varying personal and professional reasons. One has subsequently been reappointed, and two new Board Members have been recruited in the following year.

No Director received emoluments in the year (2019: nil).

In addition to the Directors the following served as advisory members to the Board during the year:
David Warrellow and Lisa Burke (Treasurer).

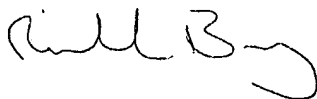
Independent Examiner

The accounts of CTG are not required to be audited under Part 16 of the 2006 Companies Act. However, the Directors consider that due to CTG being a public benefit entity its accounts should be subject to independent examination. It has reappointed Anthony Alford to undertake the independent examination of its statutory accounts for 2020.

In preparing this report, the Directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the Board on 17 September 2021 and signed on its behalf.

Richard Bray
Chair



Charity Tax Group

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Independent Examiner's report to the Board of Directors on the unaudited statutory financial statements of Charity Tax Group for the year ended 31 December 2020.

I report on the financial statements of Charity Tax Group for the year ended 31 December 2020 which are set out on pages 7 to 13.

Charity Tax Group is a public benefit interest entity that is not a registered charity. In planning and reporting on the work carried out, the recommendations applicable to charities have been recognised and that terminology has been adopted in this report.

This report is made solely to the Board of Directors as a body and my work has been undertaken so that I might state to the Board of Directors those matters I am required to state to them in an Independent Examiner's report and for no other purpose. To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than Charity Tax Group and its Board of Directors as a body for my work or for this report.

Responsibilities and basis of report

As the directors of the Company you are responsible for the preparation of the accounts in accordance with the requirements of the Companies Act 2006 ('the 2006 Act').

Having satisfied myself that the accounts of the Company are not required to be audited under Part 16 of the 2006 Act and are eligible for independent examination, I report in respect of my examination of your accounts as carried out under section 145 of the Charities Act 2011 ('the 2011 Act'). In carrying out my examination I have followed the Directions given by the Charity Commission under section 145(5)(b) of the 2011 Act.

Independent examiner's statement

I have completed my examination. I confirm that no matters have come to my attention in connection with the examination giving me cause to believe:

1. accounting records were not kept in respect of the Company as required by section 386 of 2006 Act; or
2. the accounts do not accord with those records; or
3. the accounts do not comply with the accounting requirements of section 396 of the 2006 Act other than any requirement that the accounts give a 'true and fair view' which is not a matter considered as part of an independent examination; or
4. the accounts have not been prepared in accordance with the methods and principles of the Statement of Recommended Practice for accounting and reporting by charities (applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102))

I have no concerns and have come across no other matters in connection with the examination to which attention should be drawn in this report in order to enable a proper understanding of the accounts to be reached.

Anthony Alford

Anthony Alford
Chartered Accountant

Date: 20 September 2021

Shepherd's Crook
Netherbury
Bridport
Dorset, DT6 5LY

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Statement of Financial Activities for the year to 31 December 2020 (incorporating an income and expenditure account)

	Notes	Unrestricted funds 2020	Restricted funds 2020	Total funds 2020	Unrestricted funds 2019	Restricted funds 2019	Total funds 2019
		£	£	£	£	£	£
<i>Income from:</i>							
Voluntary donations from member charities	3	163,070	-	163,070	168,656	45,300	213,956
Contributions from observer members		80,090	-	80,090	67,991	-	67,991
Interest receivable		335	-	335	-	-	-
Total income		243,495	-	243,495	236,647	45,300	281,947
<i>Expenditure on furthering the objectives of CTG:</i>							
Professional fees		164,360	-	164,360	164,629	-	164,629
VAT research project		21,450	10,745	32,195	-	34,555	34,555
Legal counsel fees		3,600	-	3,600	-	-	-
Contribution to ECCVAT		190	-	190	1,380	-	1,380
Travel and subsistence		-	-	-	166	-	166
Publications (reference materials)		9	-	9	357	-	357
Media & communications		1,152	-	1,152	1,320	-	1,320
Printing & Stationery		34	-	34	1,165	-	1,165
Website expenses		1,416	-	1,416	507	-	507
Depreciation of intangible asset	6	-	-	-	5,586	-	5,586
		192,211	10,745	202,956	175,110	34,555	209,665
<i>- administration costs</i>							
Secretariat service		43,930	-	43,930	42,984	-	42,984
Postage		-	-	-	30	-	30
Insurance		1,120	-	1,120	1,120	-	1,120
Other expenditure		300	-	300	356	-	356
		45,350	-	45,350	44,490	-	44,490
<i>- governance and support costs</i>							
AGM, management and other meeting costs		607	-	607	2,279	-	2,279
Independent Examination and filing fees		920	-	920	801	-	801
		1,527	-	1,527	3,080	-	3,080
Total expenditure		239,088	10,745	249,833	222,680	34,555	257,235
<i>(total expenditure on furthering the objectives of CTG)</i>							
Net income/(deficit)		4,407	(10,745)	(6,338)	13,967	10,745	24,712
<i>(net income/(deficit) for the year before taxation)</i>							
Taxation	4	-	-	-	-	-	-
Net movement in funds		4,407	(10,745)	(6,338)	13,967	10,745	24,712
<i>(Net income/(deficit) for the year after taxation)</i>							
Reconciliation of funds							
Total funds brought forward	9	125,672	10,745	136,417	111,705	-	111,705
Total funds carried forward		130,079	-	130,079	125,672	10,745	136,417

All the above results are derived from continuing activities. All gains and losses recognised in the year are included above.

The notes on pages 10 to 13 form part of these financial statements.

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Balance Sheet at 31 December 2020

	Note	2020 Total funds £	2019 Total funds £
Fixed Assets:			
Intangible assets	6	-	-
Current Assets:			
Cash at bank		180,869	152,617
Debtors	7	<u>2,400</u>	<u>-</u>
Total current assets		183,269	152,617
Current Liabilities:			
Creditors: amounts falling due within one year	8	(53,190)	(16,200)
Net current assets		<u>130,079</u>	<u>136,417</u>
Total assets less current liabilities		<u>130,079</u>	<u>136,417</u>
Funds (Capital and Reserves)			
Restricted funds	9	-	10,745
Income and Expenditure account & unrestricted funds	9	130,079	125,672
Total funds		<u>130,079</u>	<u>136,417</u>

The directors consider that the company is entitled to exemption from the requirement to have an audit under the provisions of section 477 of the Companies Act 2006 ("the Act") and members have not required the company to obtain an audit for the year in question in accordance with section 476 of the Act.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and for preparing financial statements which give a true and fair view of the state of affairs of the company as at 31 December 2020 and of its surplus for the year in accordance with the requirements of sections 394 and 395 of the Act and which comply with the requirements of the Act relating to financial statements, so far as applicable to the company.

The financial statements have been prepared in accordance with the provisions applicable to small companies within Part 15 of the Act and in accordance with the Financial Reporting Standard 102.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17 September 2021.

Richard Bray

Chair



The notes on pages 10 to 13 form part of these financial statements.

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Statement of Cash Flows for the year to 31 December 2020

	2020 Total £	2019 Total £
Cash flows from operating activities -		
Net cash provided by operating activities	28,252	38,152
Change in cash and cash equivalents in the reporting period		
Cash and cash equivalents at the beginning of the reporting period	152,617	114,465
Cash and cash equivalents at the end of the reporting period	<u>180,869</u>	<u>152,617</u>
Reconciliation of net movement of funds to net cash flows from operating activities		
Net (deficit)/income after taxation	(6,338)	24,712
Depreciation	-	5,586
(Decrease)/Increase in debtors	(2,400)	1,120
Increase in creditors	36,990	6,734
Net cash provided by operating activities	<u>28,252</u>	<u>38,152</u>
Analysis of cash and cash equivalents		
Cash at bank	180,869	152,617
Total cash and cash equivalents	<u>180,869</u>	<u>152,617</u>

The notes on pages 10 to 13 form part of these financial statements.

Charity Tax Group

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1 Statutory Information

Charity Tax Group (CTG) is a private company limited by guarantee, registered in England and Wales (registered number 08028281) and thus does not have share capital. The registered office is Church House, Great Smith Street, London SW1P 3AZ. Each of the members is liable to contribute an amount not exceeding £10 towards the assets of the company in the event of liquidation.

2 Accounting Policies

(a) Basis of preparation of financial statements

These financial statements have been prepared on a going concern basis under the historical convention in accordance with:

- the Financial Reporting Standards applicable in the United Kingdom and Republic of Ireland (including FRS 102),
- the Companies Act 2006; and
- with reference to Charities SORP (FRS 102) as is permitted by paragraphs 7 and 8 of FRS 100.

The company is a public benefit entity that while not a charity effectively operates for and within the charity sector. For that reason these financial statements and notes use terminology that is recognised in the charity sector.

The COVID-19 pandemic has led the directors to evaluate the company's future income streams in the light of the crisis. Income for the year to 31 December 2020 held up well aided by the contributions from most members being received before the pandemic struck. With the significant drop in charity income due to the pandemic there was significant uncertainty of its impact on the company's future donation income. In the event, due in large part to the significant efforts to secure the ongoing support of members, income for the year to 31 December 2021 has not fallen significantly. The level of the company's reserves is such that it has time to develop other income streams to allow for any long term decline in member income, and the company continues to take steps towards that aim. As a result, the going concern basis is considered to be appropriate in the context of the company's ability to meet its obligations as they fall due, in the period of twelve months following the date of approval of these financial statements. In this consideration, the company's asset position, the level and profile of its liabilities and the company's ability to determine the level of activities have been taken into account.

(b) Income

Income is recognised in the Statement of Financial Activities (SOFA) when the following conditions are met:

- The company becomes entitled to the resources.
- The receipt is probable; and
- The monetary value can be measured with sufficient reliability.

Where incoming resources have related expenditure both income and expenditure are shown gross.

Where income is received in advance of entitlement of receipt, its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued.

Grants receivable are recognised when due and when any conditions for receipt are met in accordance with the "performance model" described in FRS 102 paragraph 24.5B.

Grants or income received for specific purposes are not general income or unrestricted funds of the company. Instead they are allocated to a restricted fund as appropriate. Any grants or donations not used for their original purpose are returned to the funder or to the donor.

CTG benefits both from the contributions of volunteers, including its Directors and many advisors, and from other goods and services that are provided by supporters free of charge. It is not considered practical to attribute a value to those items in these financial statements.

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(c) Resources expended

Liabilities are recognised as soon as there is a legal or constructive obligation committing the company to pay out resources. All resources expended are recognised on an accruals basis. CTG includes the cost of VAT incurred in the relevant expense category.

(d) Intangible fixed assets and depreciation

Intangible fixed assets are stated at cost less accumulated depreciation and assessed for any impairment of value.

Depreciation on intangible assets (website and portal) is provided on a straight line basis at 33.33% per annum.

(e) Financial instruments

The company only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. These are initially recognised at transaction value and may be subsequently measured at their settlement value.

(f) Funds (Capital and Reserves)

Restricted Funds and Designated Funds are included within Funds (Capital and Reserves).

Restricted funds can only be used for particular purposes specified by the funder/donor or be funds raised for a specific project with the knowledge of the funder/donor.

Designated funds are funds which the directors have allocated for a specific purpose from free reserves.

Amounts donated or designated for a specific purpose are released from the reserve in the year in which the restriction or designation is fulfilled (see (b) above).

3 Voluntary donations from member charities

Voluntary donations from member charities contributing to unrestricted funds were received in the year in the following bands:

Values of individual donations	Number of charities donating within that band	Total donations within that band
>£10,000	3	£60,670
£1,001 to £10,000	14	£35,800
£501 to £1,000	45	£34,935
£251 to £500	59	£24,595
£1 to £250	46	£7,070
	167	£163,070

Comparative figures for 2019 are as follows:

Values of individual donations	Number of charities donating within that band	Total donations within that band
>£10,000	4	£70,490
£1,001 to £10,000	12	£34,306
£501 to £1,000	46	£34,870
£251 to £500	51	£20,855
£1 to £250	50	£8,135
	163	£168,656

4 Taxation

In considering the factors affecting the tax charge for the year, the directors have given consideration to the company's activities and its taxable status and have concluded that a tax liability relating to 2020 and previous years does not arise.

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5 Staff costs and Directors' Remuneration and Benefits

There were no staff employed in 2020 (2019: nil) and there were no directors' remuneration or other benefits for the year ended 31 December 2020 (2019: nil).

6 Intangible fixed assets

	Website and portal £
Cost:	
At 1 January 2020	50,268
Additions	-
Disposals	-
At 31 December 2020	<u>50,268</u>
Depreciation:	
At 1 January 2020	50,268
Charge for year	-
Disposals	-
At 31 December 2020	<u>50,268</u>
Net book value 31 December 2020	<u>-</u>
Net book value 31 December 2019	<u>-</u>

The company's website and portal became operational from 1 May 2016 and has been depreciated from that date.

7 Debtors

	2020 £	2019 £
Amounts falling due within one year:		
Contributions from observer members	<u>2,400</u>	-

8 Creditors

	2020 £	2019 £
Amounts falling due within one year:		
Accruals	15,350	15,300
Deferred income	37,840	900
	<u>53,190</u>	<u>16,200</u>

9 Reserves

{funds reported under FRS 102}

	Unrestricted Funds £	Restricted Funds £	Total £
Balance 31 December 2019	125,672	10,745	136,417
Income	243,495	-	243,495
Expenditure	(239,088)	(10,745)	(249,833)
Transfers	-	-	-
Balance 31 December 2020	<u>130,079</u>	<u>-</u>	<u>130,079</u>

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The comparative figures are as follows:

	Designated Fund £	Unrestricted Funds £	Restricted Funds £	Total £
Balance 31 December 2018	5,586	106,119	-	111,705
Income	-	237,125	45,300	282,425
Expenditure	-	(223,158)	(34,555)	(257,713)
Transfers	(5,586)	5,586	-	-
Balance 31 December 2019	-	125,672	10,745	136,417

Designated Fund

The designated fund is equal to the net book value of the intangible asset represented by the company's website. Due to the asset being fully depreciated at 31 December 2020, net book value of the asset is £nil (2020: £nil).

Unrestricted funds

The balance on unrestricted funds represents the net funds of the company which have not yet been expended and are not restricted or designated.

Restricted funds

The restricted funds allocated in the comparative period and utilised during the period relate to a VAT research project to understand the impact of current VAT rules on charities to enable the protection of existing VAT reliefs and future lobbying for additional changes to benefit the charitable sector. As at 31 December 2019, CTG had a contractual commitment to pay London Economics a further £28,692 (inclusive of VAT) for their services relating to this project when they were performed. Of the £28,692, £4,782 was included in the SOFA for the year ended 31 December 2019 based on stage of completion of the work at the balance sheet date. The remaining £23,910 related to completion of the work during the year ended 31 December 2020. Of this figure, £10,745 was settled using the restricted funds already received for that purpose and the balance was met from the company's general funds.

10 Controlling party

CTG is constituted as a company limited by guarantee. In accordance with its Articles of Association, control of the company is vested in the Directors who represent the Contributing Charity Members.

11 Irrecoverable VAT

Irrecoverable VAT is a major cost and concern for UK charities and CTG makes strenuous representations on behalf of its members on this issue. For this reason, CTG highlights the amount of irrecoverable VAT that it incurred itself in the year. In 2020 this amounted to £41,114 (2019: £39,687). Due to the increasing level of Observer Member income, CTG became registered for VAT with effect from 1 January 2021.

12 Related party transactions

There were no related party transactions during the year ended 31 December 2020 or prior year.