

CHARITY TAX GROUP

Annual Review
2014/15

2014 Conference



The insight and expertise that the Charity Tax Group brings to discussions on charity tax policy is hugely appreciated, and really helps to drive progress. They are one of our most valued stakeholders."

Daniel Roff, Head of Charities Taxation, HM Treasury



Chairman's introduction



I cannot remember a year as intense as this has been. For us, the election purdah period provided a short, welcome respite which allowed us to regroup ready for the challenges of a new Government – and we are already seeing some of those challenges emerging. I am proud that, during a busy campaigning period, CTG's voice was heard above the clamour.

The long General Election campaign was preceded by two key events in our year: the Autumn Statement, in December 2014, and the last Budget of the Parliament, in March 2015. Both produced some key policies for charities, the most significant of which by far was the introduction, in the March Budget, of a VAT refund scheme for search and rescue charities and air ambulances and also for hospices. CTG provided technical and strategic support to both these campaigns, as it had to earlier campaigns for national and university museums, and was delighted that the Government decided to introduce VAT refunds by including them in s33 of the VAT Act – something we have been advocating for many years. The charities that benefit will now be able to operate on a level tax playing field with the public services they supplement. CTG is proud to have played a leading role in achieving this important precedent, which will strengthen our long-term campaign for sector-wide refund schemes.

But it has not all been about VAT refunds. We have been heavily involved in discussions with HMRC on the past and future VAT treatment of direct mailing services used by charities. We also await the outcome of the tribunal case on the VAT treatment of temporary workers, which we have supported and which we hope will have a favourable outcome for charities. We are also involved in discussions on Gift Aid relating to the declaration, donor benefits and intermediaries and we will be seeking improvements to Gift Aid Small Donations Scheme when the planned Review commences in 2016.

Many of our biggest challenges in the years to come will be dictated by wider political developments. Further devolution of tax powers to Scotland is now inevitable and this will raise serious questions about the future of Gift Aid if income tax rates diverge as is being mooted in Scotland. We are actively involved in this developing debate and

hosted a summit in Edinburgh earlier this year to consider the implications for charities. In England, the Government's major review of business rates presents both a challenge to protect the reliefs that charities already enjoy and the opportunity to press for more consistency in the way the discretionary rates relief is handled by local authorities. At a European level, we await possible recommendations from the European Commission on VAT refunds against the backdrop of an in-out referendum. It will certainly be a busy time and, as ever, we will be dependent on the support and input of our members.

We are always looking at ways to improve our offering to members and I am glad to report that, by the Autumn, charities will have access to an accessible and modern website, in which the Charity Tax Map will be fully integrated. I have great hopes for the new-look website: helping charities is the very heart of what we do, and greater communication and accessibility will further this goal immeasurably.

While this Annual Review provides an excellent opportunity to give a flavour of what CTG and its members have achieved over the past year, it is important to remember that it can only scratch the surface of the day-to-day support and guidance provided to charities up and down the country. Our technical advisers and Management Committee work incredibly hard; and it never ceases to amaze me that we achieve so much each year given how limited our resources are.

However, it is our charity and adviser members who are the backbone of CTG and without their support we could not achieve change. Equally, without their willingness to share evidence and information we could never have built up our hard-earned reputation for expertise and effectiveness in charity representation.

John Hemming
Chairman

Activities during the year

As usual, CTG has been campaigning proactively for improvements to the tax regime affecting charities while, at the same time, defending existing reliefs as well as working with HMRC on improvements to the operation of the various reliefs and taxes, particularly around Gift Aid and tackling potential abuse of the very valuable tax reliefs that charities enjoy. There have been swings and roundabouts: on the one hand, the important precedent set by the introduction of VAT rebates for selected charities but, on the other hand, a change of HMRC policy on the VAT treatment of direct mail threatens to leave the sector with a large bill. We have summarised some of the key areas of activity below:



To say that the expertise, sound advice and support provided by the CTG was brilliant is to understate the truth. We are convinced that without them the campaign would not have succeeded so a very big thank you to the Charity Tax Group from all mountain, cave and lowland search and rescue teams."
Bill Whitehouse, Chairman, British Cave Rescue Council



A huge thank you to everyone at CTG for their help with the VAT refund campaign for hospices over the past few years – I'm certain we wouldn't have achieved this result without you."
Craig Duncan, Finance and Operations Director, Hospice UK



CTG is a powerful platform to network and collectively address the tax issues affecting the sector. We are thankful for the invaluable advice and help in tackling new online Gift Aid claims in 2014."
Amit Luchmeeparsad, Tax Manager, Save the Children

Extension of VAT refund schemes for certain charities

- Section 33 VAT refunds have been extended to the non-business activities of search and rescue charities, air ambulances, hospices and blood bikes. These rebates are estimated to be worth more than £50 million a year to these charities and set an important precedent on which we hope to build for the benefit of the wider charity sector.
- CTG provided strategic and technical support to the successful campaigns by search and rescue charities and hospice charities for these rebates. This included securing confirmation from the European Commission that there was no legal obstacle to a national VAT refund scheme and giving detailed technical advice on presenting a strong case to Ministers.
- CTG is hopeful that the Government will give more attention to the irrecoverable VAT bill facing charities in the new Parliament and will again be highlighting the merits of extending VAT refunds to a wider range of charities. CTG is committed to a long-term goal of full equality for charities under the VAT regime.

Gift Aid

- Through the HMRC/HM Treasury Gift Aid Working Group, CTG has played a key role in securing important simplifications to the Gift Aid Declaration, including the removal of unnecessary references to council tax and VAT. Work is ongoing, with a new Declaration expected later this year.

CTG has continued to offer practical suggestions to find a solution that satisfies HMRC requirements that donors know their responsibilities while reassuring fundraisers that those eligible for Gift Aid are not put off from making declarations.

- CTG's pleas for a detailed review of the Gift Aid donor benefit rules have been rewarded with confirmation from HMRC that there will be a call for evidence followed by a formal consultation in late 2015. CTG has called for clearer guidance on the *i n consequence* rule and greater help for charities in valuing benefits and understanding the treatment of new fundraising initiatives.
- CTG has helped to shape the new rules allowing intermediaries a greater role in administering Gift Aid and has worked with charities to ensure they are operating retail Gift Aid correctly and monitored the success of Gift Aid repayments following the transition to Charities Online.
- CTG has continued to promote the Gift Aid Small Donations Scheme (GASDS) and welcomed the announcement that the relief will be extended in April 2016. However, there remain a number of important obstacles facing small charities in accessing the Scheme (including a Gift Aid history) and we will be seeking further simplification in the scheduled Review next year.

VAT treatment of direct mail services

- In August 2014, HMRC stated its view that the zero-rating of print and delivery of charity mail packs

as a composite supply of delivered goods was no longer possible, insisting this was existing policy, despite it being widely understood in the charity sector and the print industry that it was zero-rated.

- Following discussions with CTG and the Direct Marketing Association, HMRC accepted that its guidance was not clear and had resulted in misunderstandings. It therefore agreed to postpone the implementation of these new rules from 1 October 2014 until 31 July 2015 and that no retrospective action will be taken except in cases of clear avoidance or abuse. This concession is estimated to have saved the sector millions of pounds, although its exact scope is still being negotiated.

Regulation of charity taxation

- Following discussions with CTG's expert working group, HMRC decided to reverse its decision to introduce a new definition of charity for tax purposes. Treasury Ministers recognised our concerns that this was unnecessary, poorly targeted legislation that could have adversely affected the majority of law-abiding charities.
- CTG has also helped to secure important revisions to HMRC's guidance on the Fit and Proper Person test, due to be re-published shortly
- When charities were not explicitly excluded from a new Diverted Profits Tax there was potential scope for the legislation to apply to charity subsidiaries or controlled charitable foundations, making their operation

impractical. CTG identified this problem and secured an exemption in the final legislation.

- CTG has raised concerns about the close company loans to participators rules, which risk a loan by a subsidiary of a charitable trust to the trustees of the charitable trust becoming liable to tax. HMRC has confirmed that it will continue to work with CTG about the issues we have raised to explore whether it is possible to resolve them.

Business rates

- CTG and some of its charity members sought leading Counsel's advice about the State Aid aspects of the new Retail Relief from business rates.
- CTG has consulted members in advance of the Government's Business Rates Review. In its response CTG stressed the value of mandatory and discretionary rates relief for charities and the need to ensure that it did not become selective.

Charity Tax Updates

- CTG co-ordinated a series of tax update sessions for members in 2014, with events in London, Birmingham, Ipswich, Leeds, Manchester and York, as well as a meeting in Edinburgh in early 2015.
- The meetings, which provided updates on topical tax developments, have proved a great success, with over 300 charities attending and providing valuable feedback and evidence to CTG.

Representing charities on tax



Working closely with a very able and professional CTG we jointly produced a great result for charities and their suppliers on VAT issues."
Mike Lordan, Director of External Affairs, Direct Marketing Association



CTG is incredibly well networked with the Treasury and HMRC. This, combined with their genuine openness to engaging devolved nations such as Scotland, means that tax policy needs for charities right across the UK are addressed through CTG activity."
Ruchir Shah, Policy Manager, SCVO

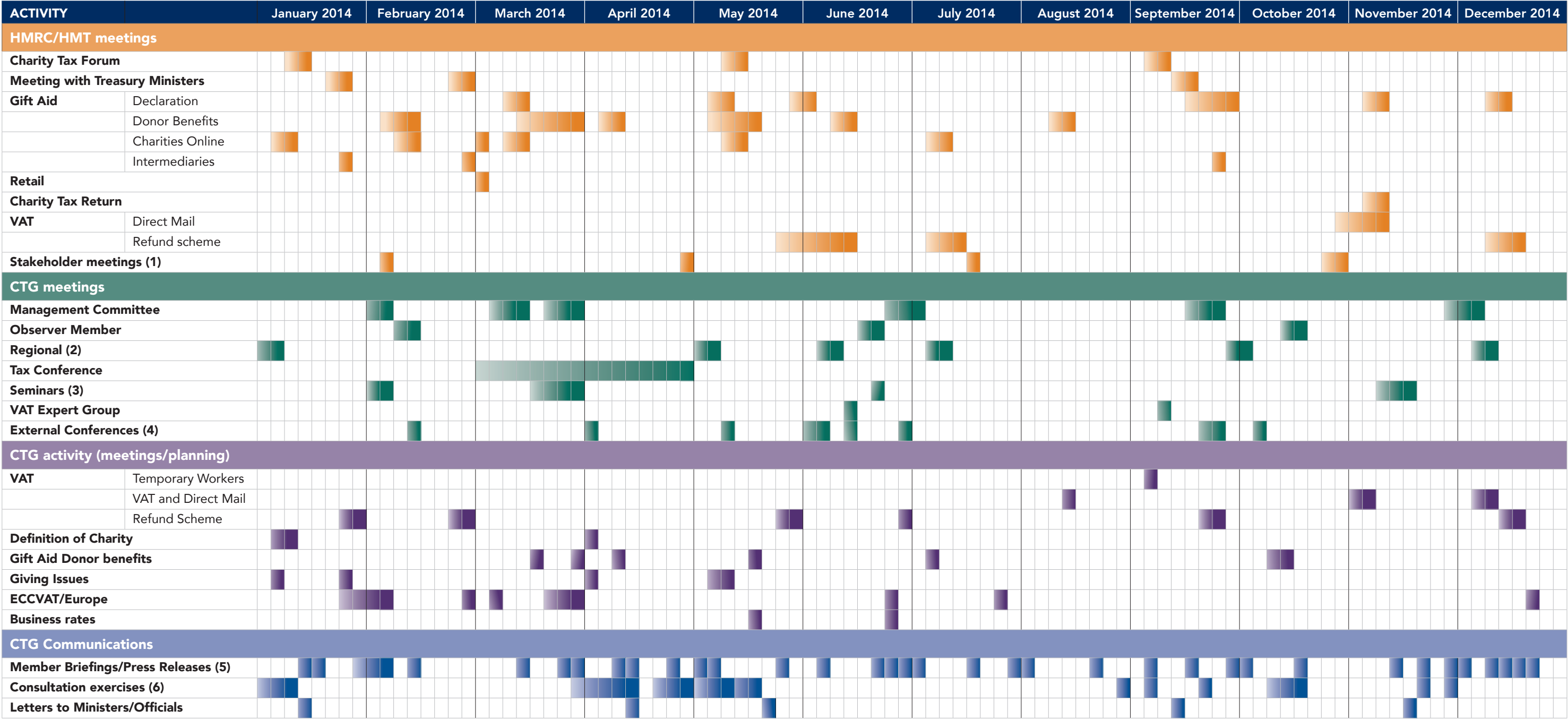


The scale, depth and quality of the tax expertise that CTG offers always impresses me and I welcome being able to make a contribution through the VAT Expert Group."
Tony Jackson, Partner, Smith & Williamson



My advice to charity clients is invariably: if you only join one membership organisation it should be the CTG: its ethos is excellence; its people and its work product are undoubtedly exceptional. It represents extraordinary value for money."
Janet Turner QC, Head of Not for Profit Solutions, Berwin Leighton Paisner

Charity Tax Group: 2014 Activity Report



1: Stakeholder Meetings

- Meeting with new HMT Charities Team
- Joint VAT Consultative Committee (JVCC)
- Annual Stakeholder Conference
- Meeting with new HMRC Charities Team

2: Regional meetings

- Manchester – Crowe Clark Whitehill
- Ipswich – Larking Gowen
- Birmingham – BDO
- Leeds – Wrigleys
- Edinburgh – Baker Tilly

3: Seminars

- Gift Aid Donor Benefits
- Charities Online
- VAT and Temporary Workers
- European VAT consultation
- Post-Budget briefing

4: External Conferences

- BUFDG Tax Conference
- Wrigleys Governance Seminar
- Charity Accountants Conference
- Charity Finance Summit
- Finance Resource Investment Managers Network
- Charity Retail Association Gift Aid day

5: Member briefings

- VAT and Direct Mail
- Gift Aid Donor Benefits
- VAT and Temporary Workers
- Regulatory updates from HMRC and the Charity Commission
- Conferences and Events
- Membership information
- Budget, Autumn Statement, Finance Bill and Queen's Speech updates

- Election and Ministerial Reshuffle Announcements
- Charity Tax Round-ups
- Case Law Reviews
- Anti-avoidance measures
- Charities Online
- Business rates

6: Consultation exercises

- INTERNAL
- Gift Aid Donor Benefits
 - VAT and Direct Mail
 - Business Rates
 - VAT and Temporary Workers
 - GASDS
 - Gift Aid Declaration

- EXTERNAL
- Definition of Charity for Tax Purposes
 - Budget Submission
 - Autumn Statement Submission
 - Loans to Participators
 - VAT relief on Adapted Motor Vehicles

A review of the last Parliament

Key to areas covered

- VAT zero rate
- VAT refund
- VAT exemption
- Anti-avoidance
- Gift Aid
- Charity Tax Map
- VAT Temporary workers
- Europe
- Business rates
- Scotland
- Giving incentives



TREASURY MINISTER RESPONSIBLE FOR CHARITY TAXATION




CTG Management Committee and Advisers

A unique feature of CTG is that the Management Committee consists entirely of full time charity employees with a wealth of experience from a broad range of charity types.

Committee Members

John Hemming

Head of Tax
Wellcome Trust



Income.....£2.6bn

Spending.....£869.8m

Employees.....1,733


Volunteers.....0

Investments.....£16.3bn

Tangible assets.....£440m

Kevin Russell

Technical Director
Stewardship



Income.....£66.4m

Spending.....£59.3m

Employees.....40


Volunteers.....0

Investments.....£85m

Tangible assets.....£3.3m

Richard Bray

Finance, Regulatory and
Taxes Manager
Cancer Research UK



Income.....£665.5m

Spending.....£540.3m

Employees.....3,798


Volunteers.....40,000

Investments.....£552.2m

Tangible assets.....£61.8m

John Crowther

Finance Director (retired
December 2014)
Action for Blind People



Income.....£20.8m

Spending.....£20.7m

Employees.....404


Volunteers.....382

Investments.....£8.2m

Tangible assets.....£17.8m

Justin Bevan

Gift Aid and Tax Controller
Oxfam



Income.....£389.2m

Spending.....£365.1m

Employees.....4,855


Volunteers.....22,000

Investments.....£62.9m

Tangible assets.....£12.2m

John Huke

Tax Manager
University of Oxford



Income.....£1.2bn

Spending.....£1.1bn

Employees.....11,057


Volunteers.....0

Investments.....£1.8bn

Tangible assets.....£2.6bn

Paul Johnson

Tax Manager
Royal Society for the
Protection of Birds



Income.....£128.2m

Spending.....£126.8m

Employees.....2,217


Volunteers.....16,684

Investments.....£37.5m

Tangible assets.....£134.1m

Karen Atkinson

Deputy Director of Finance
Prostate Cancer UK



Income.....£31.1m

Spending.....£41.2m

Employees.....185


Volunteers.....1,944

Investments.....£22m

Tangible assets.....£1.3m

Philip Spedding

Director of Development
The London Library



Income.....£4.3m

Spending.....£3.6m

Employees.....59


Volunteers.....6

Investments.....£6.3m

Tangible assets.....£22.1m

Ruchir Shah

Head of Policy
Scottish Council for
Voluntary Organisations



Income.....£13.2m

Spending.....£13m

Employees.....99


Volunteers.....0

Investments.....£6.5m

Tangible assets.....£5.2m

Darren Spivey

Head of Corporate Finance
Royal National Lifeboat
Institution



Income.....£208.4m

Spending.....£152.9m

Employees.....1,670


Volunteers.....30,966

Investments.....£296m

Tangible assets.....£365.8m

David Warrellow

Fiscal Services Manager
The National Trust



Income.....£520.4m

Spending.....£467.9m

Employees.....5,572

Volunteers.....60,000

Investments.....£898m

Tangible assets.....£188m

● Chairman ◆ Vice-Chairman ★ Treasurer

Figures based on information available from the Charity Commission and other sources (June 2015)

From the press

From Civil Society

31 MARCH 2015

Charity Tax Group calls for further postponement of 20 per cent tax on direct mail fundraising

The Charity Tax Group and the Direct Marketing Association have said that it is "unacceptable" that HM Revenue and Customs has not published guidance about changes to VAT on direct mail, and called for the implementation date to be postponed.

29 APRIL 2014

Government considering expanding VAT rebate offered to charities

The Government is "looking very seriously at the issue" of rebates to cover VAT paid by search and rescue charities and hospices, financial secretary Nicky Morgan told the Charity Tax Group annual conference yesterday.

30 APRIL 2014

Planned new definition of charity for tax purposes 'needs radical changes'

A planned new definition of charity for tax purposes, intended to prevent charities being set up to avoid tax, should be radically altered to take into account existing legislation, the Charity Tax Group's annual conference heard on Monday.

1 MAY 2015

How charities dodged disaster over the diverted profits tax

Anti-avoidance legislation in the last Finance Bill threatened to cause huge problems for trading subsidiaries. John Hemming, chair of the Charity Tax Group, explains how the sector dodged a bullet.

27 NOVEMBER 2014

Charities could lose out on Gift Aid under devolution settlement, tax experts warn

CTG and SCVO have both warned that more work is needed to ensure the proposals do not harm giving...further information is needed on whether gift aid will continue to operate on a UK-wide basis.

3 DECEMBER 2014

Autumn Statement: VAT rebates for hospices, search and rescue charities and air ambulances

John Hemming, chair of the Charity Tax Group (CTG), said: "We are delighted with the announcement in this Autumn Statement that there will be VAT refund schemes for search and rescue charities and the hospices – something on which CTG has been working with Hospice UK and the RNLI and other search and rescue charities over the last couple of years.

From Third Sector

29 MARCH 2015

Charity Tax Group welcomes exemption for charities from diverted profits tax

The CTG had feared that the tax, which comes into effect on 1 April, would make it impossible for charities to use trading subsidiaries.

16 APRIL 2015

HM Revenue & Customs is unclear about VAT on direct mail, Charity Tax Group says

The CTG says the revenue has failed to publish guidance on the matter or to resolve outstanding concerns.

20 APRIL 2015

Lack of direct mail VAT guidance criticised

Tax officials agreed to delay the ruling's 1 October 2014 implementation until 1 April 2015 and sought comments on newly drafted guidelines from the Charity Tax Group (CTG), which raised concerns about inaccuracies and called for a further postponement of the implementation.

1 JULY 2014

Dropped plans on tax avoidance could have affected legitimate charities, says Treasury minister Nicky Morgan

Charity umbrella bodies, including the Charity Tax Group, warned that legitimate charitable ventures, in particular new charitable foundations, could be wrongly caught up by the proposals.

21 OCTOBER 2014

Charity Tax Group calls for early review of Gift Aid Small Donations Scheme

In its submission before the Autumn Statement, the CTG also asks the government to avoid 'poorly targeted' measures against the abuse of charity tax reliefs.

1 MAY 2015

Charities enjoy reliefs boost

The chairman of the Charity Tax Group, John Hemming, said his representation body intends to work with the incoming government to increase eligible Gift Aid uptake.

From Tax Journal

17 DECEMBER 2014

HMRC clarifies VAT treatment of charities' direct mail services

The Charity Tax Group (CTG) has announced that a 'broad agreement has now been reached' with HMRC on the past and future VAT treatment of direct mail services.

From Charity Times

16 MARCH 2015

Charity Tax Group optimistic on charity exemption from Diverted Profits Tax

The Charity Tax Group is hopeful the government will offer a charity exemption to the new Diverted Profits Tax after conversations with HMRC.

21 MAY 2015

Charities' direct mail given VAT-change reprieve

Charities have extra time to get to grips with new VAT rules, following concerns by the Charity Tax Group (CTG).

The 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@charitytax.info** or on **020 7222 1265**. Alternatively, visit our website www.charitytax.info or follow us @CharityTaxGroup
