

CTG Expert Insight Session: Tax issues for smaller charities

1 December 2021

#charitytax #smallcharities

Today's session

- Richard Bray, CTG Chair
- Alex Gear, CTG Director and Director of Finance and Operations at the Multiple Sclerosis Trust
- Les Howard, Partner, VATadvice.org

Expert insight session

Tax issues for smaller charities

Alex Gear

About me...

Director of Finance and Operations at the Multiple Sclerosis Trust



Director of CTG since October 2021



What will I cover today?

- Very brief overview of tax landscape for my organisation
- Case study of a recent VAT review
- General advice for smaller charities, based on my own experience

The challenge...

Finance and HR Manager

- Management accounts, VAT returns, credit control
- Recruitment, HR administration, payroll, pensions
- Gift aid claims

Accounts Assistant

- Sales ledger, income processing
- Purchase ledger, payments

Office Manager

- Health and safety and office maintenance
- Administrative support for fundraising
- Governance and supporting Board

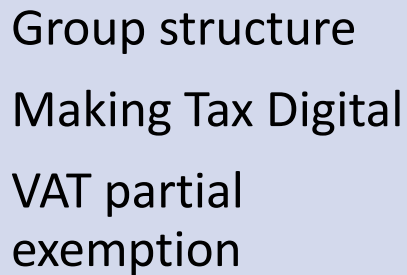
Admin Assistant

- Administrative support for fundraising
- Reception duties and general administration

Charity taxes and tax reliefs



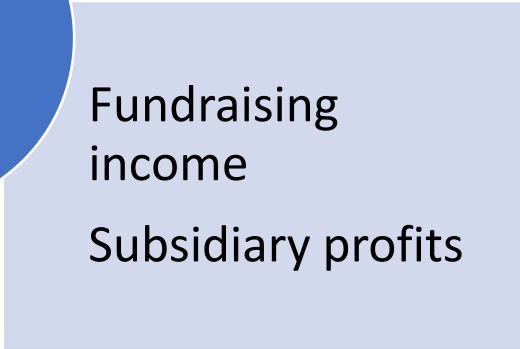
VAT



Group structure
Making Tax Digital
VAT partial
exemption

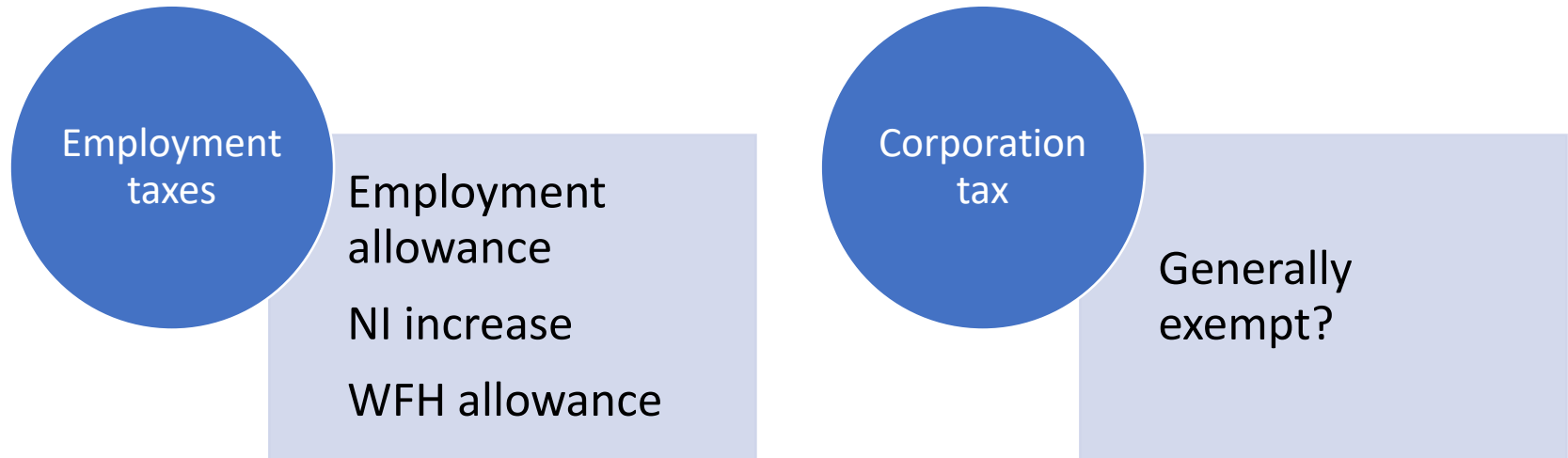


Gift
aid



Fundraising
income
Subsidiary profits

Charity taxes and tax reliefs



Case study – VAT review

Purpose of review:

- To ensure compliance of VAT treatment with HMRC rules
- To improve recovery of input VAT if possible
- To confirm the correct treatment of VAT in specific areas

Case study – VAT review

Outcome:

- Overall opinion – compliant
- Suggestions for improvements for better recoverability
- Savings

Case study – VAT review

Learnings:

- Understanding the issues
- Effective communication with stakeholders
- Persuasive arguments of cost vs benefit
- Timescales

What can smaller charities do?

- Ask for advice
- Communicate the issue
- Horizon scan
 - Read briefings
 - Attend insight sessions
 - Join relevant groups
- Sign up for the CTG newsletter:
<https://www.charitytaxgroup.org.uk/join-us/>



CTG Expert Insight Training

Helping you through the VAT maze

Relevance & Registration



'We are too small to think about VAT'

'We are fully grant funded, so don't need to consider VAT!'

VAT *is* relevant; AND
You don't need to be registered for VAT.

Brief case study – VAT registration gone wrong.

Helping you through the VAT maze



Reliefs & Rates (1)

General reliefs:

- Gas & electricity 5%
- Accessibility works: disabled toilets, wheelchair ramps, etc. – 0%
- Advertising, incl online – 0%
- Rent – ‘disapply’ the ‘Option to Tax’ - exempt
- New building or Annex – 0%

Ask about retrospection

Helping you through the VAT maze



Reliefs & Rates (2)

Specific reliefs:

- Medical equipment & products
- ‘talking’ books & newspapers
- Veterinary equipment
- Motor vehicles
- Lifeboat & rescue charities

Certification & check eligibility rules

Your starting point - HMRC Notice 701/1

Helping you through the VAT maze

Flexible on Fees



Helping you through the VAT maze

Thank you for listening!



vatadvice.org

Helping you through the VAT maze

Tax tips for smaller charities

- Misconception that “charities don’t pay tax”. Why bother?
- Key areas for small charities: PAYE, Gift Aid, VAT and occasionally Corporation Tax
- Keep things simple – so you can safely navigate around (avoid) complex waters. Have a plan!
- Factor in proper budget for advice – and ongoing advice not just for set up but to ensure can remain compliant – don’t try to be penny wise pound foolish!

Tax tips for smaller charities

- Getting good advice can be tricky (in spite of great material from CTG and on gov.uk)
- Helplines like SCC help formulate questions to navigate professional advice
- Tax issues are like any finance issues – the keys to building financial/tax confidence are:
 - Systems to provide proper foundations
 - Strategy and governance to set direction/use of risk registers
 - Effective reporting to marry the two

Tax tips for smaller charities

- CTG has secured funding from The City Bridge Trust which we hope will help us work with more smaller charities.
- This funding will be used to fund a contribution to CTG for new London-based members.
- What new tax resources would smaller charities find helpful?
- Could some of you get involved with CTG to ensure that the smaller charity voice is heard?

Key resources

- Extensive resources at www.charitytaxgroup.org.uk including tax information, news and a COVID-19 Hub
- Monthly newsletter - “What you need to know”
- Charity tax Monthly Expert Insight Training Sessions
- Practical issues working groups on VAT and Gift Aid
- Questions to info@charitytaxgroup.org.uk