

# CTG – Annual Conference 2025

Richard Bray

Cancer Research UK and Chair of the Charity Tax Group

## CTG – Objectives

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A charity whose role is to

- Make tax better for charities
- Act as a representative on government policies and legislation
- Promote knowledge, understanding, and awareness of tax

## CTG – Guiding principles

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Charities should understand the tax environment

Charities should operate in a fairer tax environment

Working with others maximises impact

More is achieved by being brave and innovative

## CTG – Our year - people

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- New trustees - Yasmin Halima and Samir Hafiz
- Special advisor – Paul Knight
- Collaborations with: CFG, CRA, BUFDG, Honorary Treasurers Forum

## CTG – Our year - tax

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Just a few highlights from a busy year.....

Liaison with HMRC on Gift Aid guidance, DMCCA, qualifying investments, changes to CT forms, Biodiversity net gain, care sector VAT changes, charity advertising and lots more

Active role in donated goods changes (consultation response, focus groups with HMT and HMRC, and pre-budget call)

## CTG – Our year - education

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- 12 newsletters
- 11 bulletins
- 10 expert insight sessions on specific areas of interest
- 5 new training sessions in fundamentals of charity tax
- 4 articles for Charity Finance
- 1 Conference

## CTG – Our year – other highlights

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- Meeting with the XST to The Treasury putting the case for charities
- Growth in attendance at our Gift Aid and VAT Practical Issues Working Groups
- Launch of a new ‘Customs’ Practical Issues Working Group

# Charity Tax Group Conference

**Mark Pickard**

**Tony Johnson**

**John Bentley**



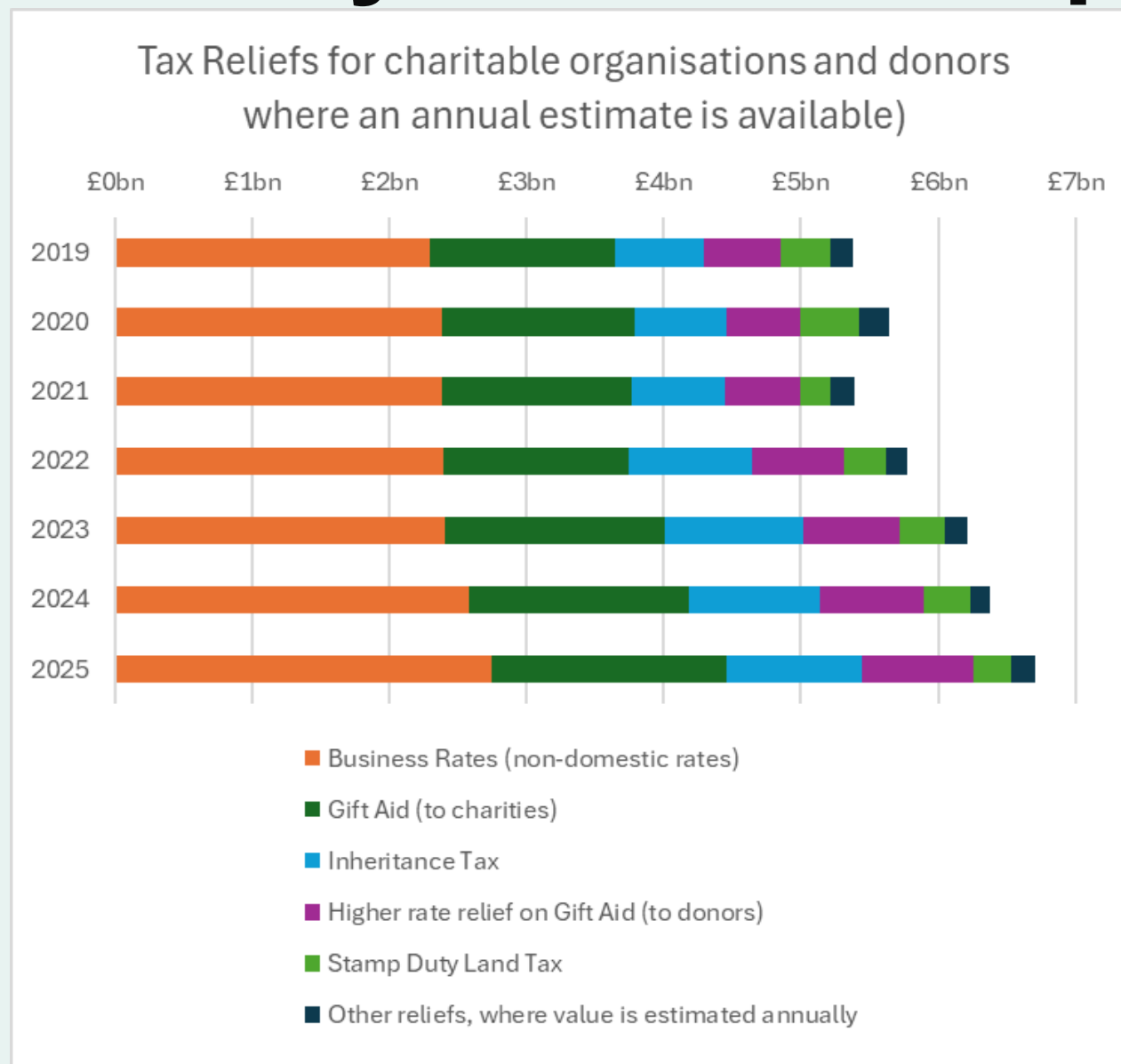
**HM Revenue  
& Customs**



# Drivers of a Thriving UK Charitable Sector

- **Deep Historical Roots**  
Centuries of charitable tax reliefs and rich legal framework that has evolved over time.
- **Ongoing supportive Tax Framework**  
Generous tax reliefs (Gift Aid, business rates relief, inheritance tax exemptions) incentivize giving and reduce operational costs for charities.
- **Government and Regulatory Support**  
Clear charity law and oversight by the Charity Commission ensure public trust and accountability.
- **Public Engagement and Culture of Giving**  
High levels of volunteering and donations, reinforced by national campaigns and events (e.g., Comic Relief, Children in Need).
- **Innovation and Digital Transformation**  
Growth of online fundraising platforms and payroll giving schemes makes donating easy and accessible.
- **Corporate Social Responsibility (CSR)**  
Businesses actively support charities through partnerships, sponsorships, and matched giving programs.

# Charity tax landscape



# Customer experience

- HMRC's Transformation Roadmap outlines the government's vision for a more efficient, modernised, and automated tax and customs system.
- The Exchequer Secretary set three department priorities to improve the customer experience for taxpayers, including for charities and donors;
  - To improve day-to-day performance and the customer experience
  - Close the tax gap
  - Modernise and reform the tax and customs system
- Charities are part of this objective and the long term trajectory is likely to move in a more digitalised and automated direction over time
- Gift aid processing times are improving
- And we are exploring improving returns

**Average processing times for Gift Aid claims**

Tax Year			Average Working Days to Pay
06/04/2024	to	05/04/2025	3.16
06/04/2023	to	05/04/2024	3.24
06/04/2022	to	05/04/2023	2.84
06/04/2021	to	05/04/2022	3.49
06/04/2020	to	05/04/2021	4.08

# Charity Compliance measures

**Recent Policy Response** – AB24 announced changes to charity tax rules (draft legislation published in July 2025). The changes will take effect from April 2026. The changes will:

- **Prevent donors from obtaining a financial benefit from their donations**
  - By strengthening powers to challenge a series of transactions that have been designed to allow a donor to benefit from their donation.
- **Prevent misuse of charitable investment rules**
  - By ensuring all 12 investment types carry the requirement to be for the benefit of the charity and not for the avoidance of tax.
- **Address gaps in non-charitable expenditure rules**
  - By requiring legacies from a will (currently outside the rules) to be spent for the charitable purpose or incur a tax charge.

In addition HMRC are considering introducing **sanctions for charities and CASC trustees who persistently fail to meet their filing and payment obligations**. And potentially tightening the rules on gift aid declarations to include a donor's full name.

**Inheritance Tax: Anti-avoidance** – The government will legislate to restricting inheritance tax exemptions to direct gifts to UK charities and clubs.

# Digital Markets, Competition and Consumers Act 2024

- Gov recognises the vital role that Gift Aid plays in supporting the charitable sector and the importance of maintaining clarity and confidence in its application.
- Charities can continue to claim Gift Aid on eligible membership subscriptions. HMRC maintains the status quo in policy and practice.
- Whilst new tax legislation may be necessary in due course, HMRC has recently published interim guidance setting out that where subscriptions are currently eligible under existing Gift Aid rules, they will remain so. The guidance can be found on [gov.uk](https://gov.uk)
- We consider this provides the clarity and confidence the sector needs to deal with DMCCA.

# VAT treatment of business donations to charity

- The government is introducing a new VAT relief for business donations of goods to charity for onward distribution or use in their services, to align with the existing VAT relief for business donations for sale by a charity.
- Under current VAT law, goods donated by businesses to charities for onward sale already benefit from a VAT relief. However, when goods are donated for onward donation or used directly by the charity in delivering its services, a VAT charge may arise.
- The relief will apply to goods within defined per-item value limits, set out in the legislation, with a higher threshold for specified goods such as technology and household appliances. Certain goods subject to excise duty will be excluded from the scope of the relief.

# Charity Compliance – Common Errors

Common errors remain largely the same as last year:

- No evidence of receipt of donation
- Invalid Gift Aid Declaration
- Payment is for a service and not a Gift – sports clubs claiming on membership fees
- Records not kept for aggregated donations or sponsorship events – need a GAD and full audit trail for every donation received under these schemes
- Payments made to connected parties on uncommercial terms
- Failure to keep adequate records to support charitable application of funds sent to overseas jurisdictions
- Failure to keep adequate records to support loan arrangements

# Charity Compliance - Developments

## Year in Review

- Supported policy colleagues in developing new charity tax measures.
- Challenge abusive arrangements - multiple cases proceeding to FTT
- Continued robust action against fraud and evasion – engaging with stakeholders such as HMRC's Fraud Investigation Service.
- Rolled out our SRR process
- Evaluating responses of CASC one-to-many campaign

## Notable Case Outcomes

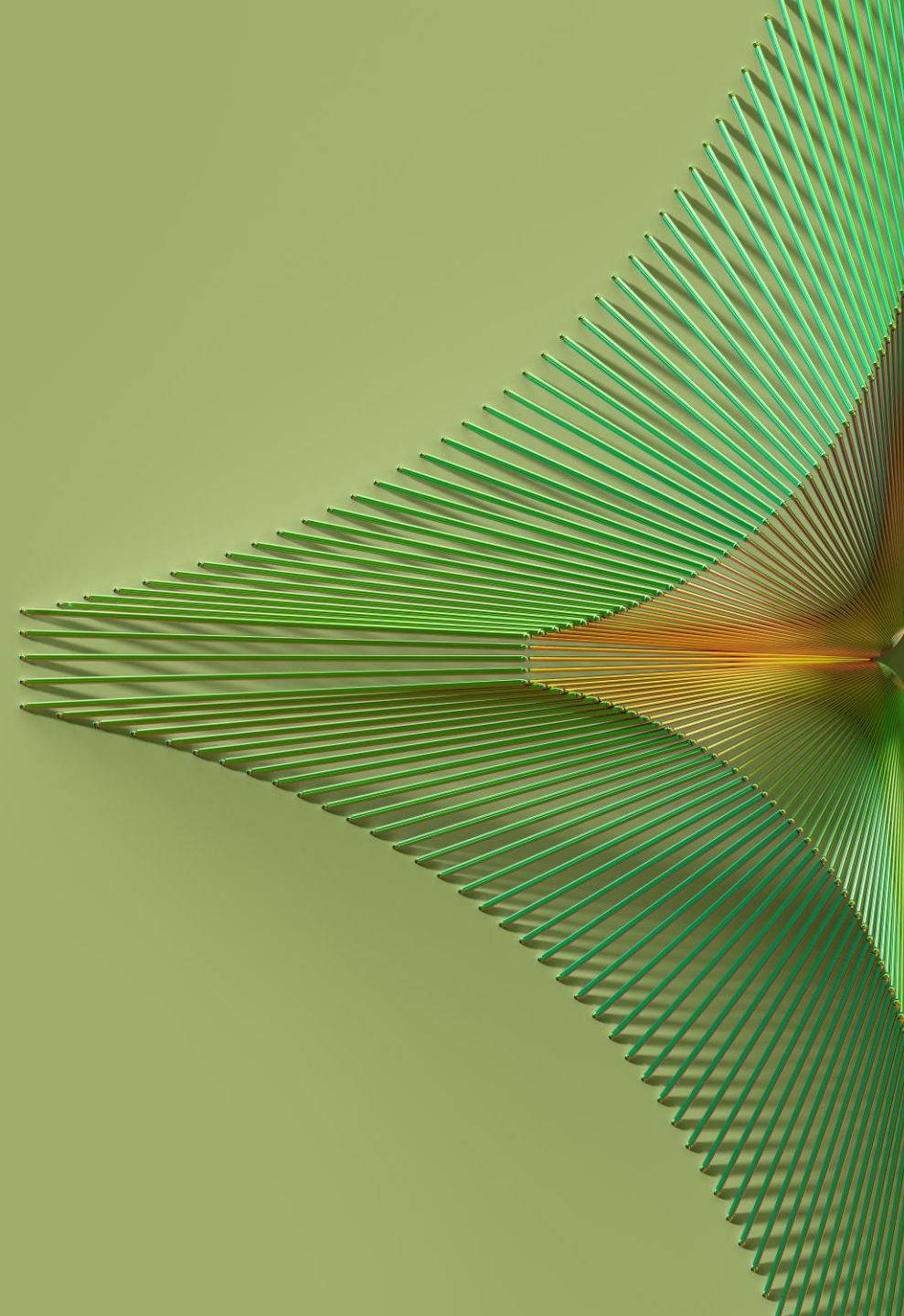
- **FTT Decision (Dec 2024):** [\*John Harvey & Anor v HMRC\*](#) – relief denied on donations involved in circulatory arrangements
- **[Criminal Sentences \(Dec 2024\):](#)**
  - Kwabena Duodu: 10 years custodial for Gift Aid fraud – acted as agent for 13 charities, personally benefited from inflated repayment claims totalling £1.5m
  - Moses Asare 7 years custodial and John Quansah a 15-month suspended sentence respectively for their part in the fraud.



5 December 2025

# Structured risk reviews

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# Structured risk reviews

- HMRC has recently initiated a programme of SRR across the charity and not-for-profit sectors
- A concerted effort to bring the different taxes together to understand how the sector operates
- HMRC are making use of its 'Connect' interrogation software alongside other Ai software to examine all tax and payroll returns and test them against public statements.
- Any errors identified can lead to a SRR, but the following are additional 'profile indicators':
  - Number of employees
  - Income sources
  - Whether any repayments have been claimed
  - Extent of any commercial activities
  - Nature of any overseas projects

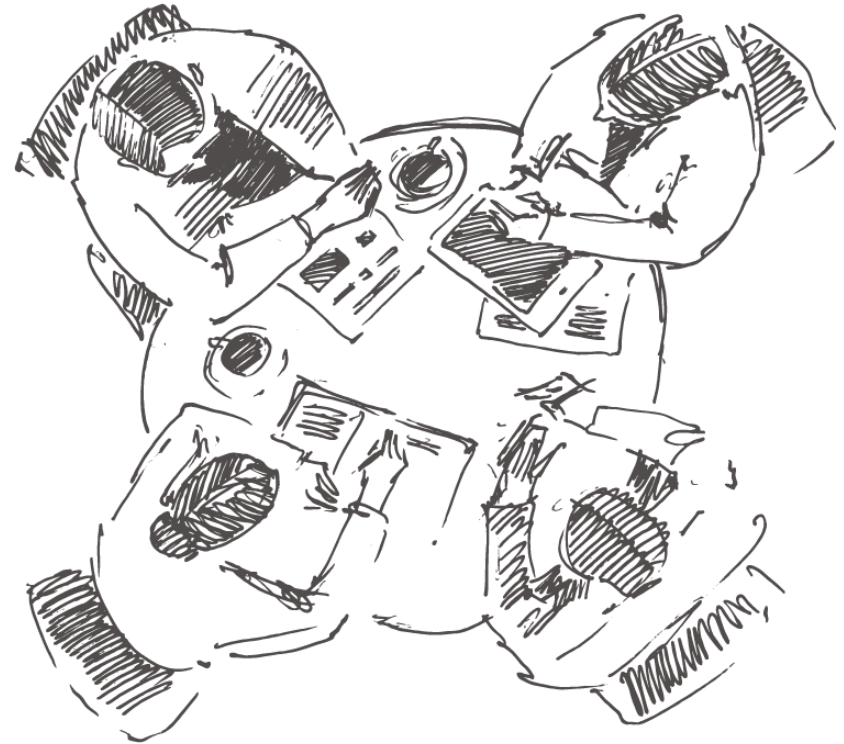
*The list is endless!*

# What is the scope of an SRR?

- HMRC will carry out a review across all taxes and duties which they believe are relevant to the organisation:
  - Corporation tax and charitable expenditure
  - Gift Aid
  - VAT
  - Employment taxes
- HMRC will undertake an internal review of the returns submitted and this will form the basis of the 'opening meeting'.. The focus will be on:
  - Structure of the organisation
  - What internal controls and protocols are in place?
  - Who is responsible for the tax reporting?
  - What is the investment strategy?
  - Fraud prevention and safeguarding

# How to prepare for the opening meeting

- Who should attend the meeting?
  - Head of Finance
  - Head of HR/People
  - Project director
- Have you had any recent interaction with HMRC?
  - RTI error
  - Error on a gift aid
  - VAT refund claim
- Do you operate outside the UK?



# What questions are HMRC asking?

During a fact-finding meeting HMRC will typically ask the following:

- What are the income sources and fundraising activities?
- Details of any trading subsidiaries, overseas subsidiaries, project partners and connected parties
- Basis upon which any creative tax reliefs have been claimed
- How Gift Aid payments are monitored and reported to HMRC
- Income recognition for VAT purposes
- Details concerning how any partial method calculations are prepared
- What controls are in place to monitor overseas grants and expenditure
- What is the approach to paying directors and trustees?
- Details of employee expense policies
- What benefits in kind are provided?
- What arrangements are in place for employees who work overseas?

# Post meeting – What happens?

- HMRC will provide notes of the meeting
- Request additional information as part of their review
- Identify any areas where there is a potential tax loss
- Seek settlement of any additional taxes, together with interest and penalties
- Provide recommendations for the organisation to consider adopting



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A man with grey hair and glasses, wearing a black coat over a white shirt and grey trousers, is walking on a city street. He is carrying a red briefcase in his right hand. The background shows a stone building with a large arched doorway and a shop window. The scene is captured in a cinematic style with soft lighting.

# Payrolling benefits in kind

IDEAS | PEOPLE | TRUST

**BDO**



# Agenda

- ▶ Key dates
  - ▶ P11D reporting - the employee experience
  - ▶ Payrolling benefits for the employee
  - ▶ Payrolling benefits for the employer
  - ▶ Actions
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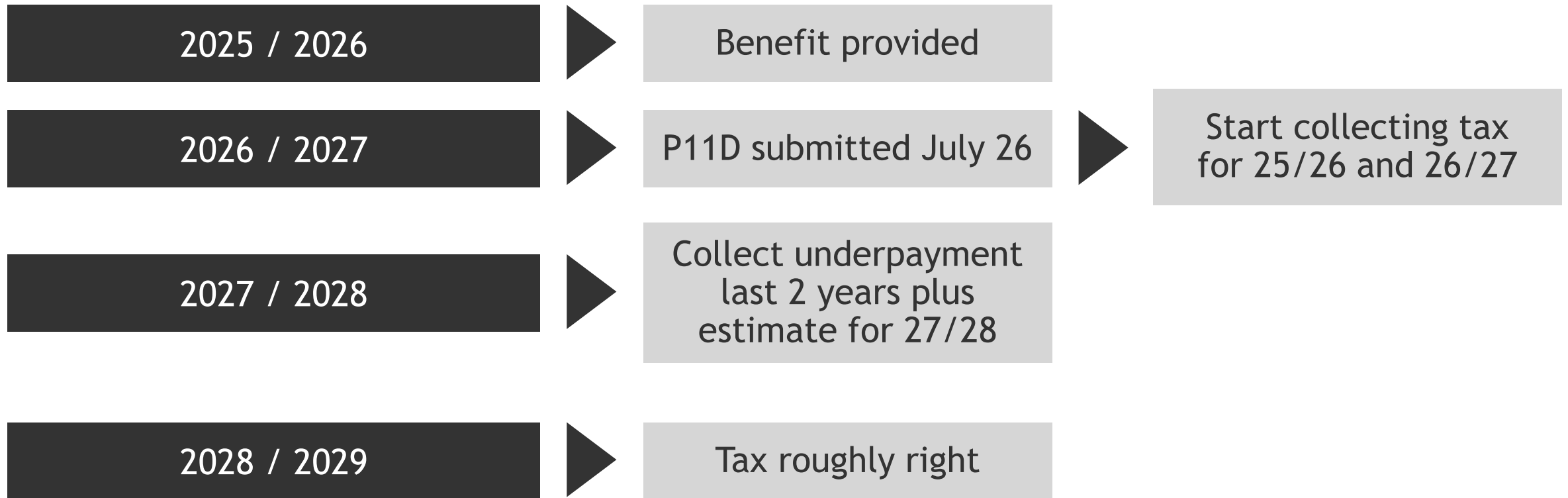


# Payrolling benefits in kind - key dates

- ▶ Mandatory from April 2027
- ▶ Voluntary from April 2026 (if not already)
- ▶ Loans and accommodation voluntary from April 2027



## P11D reporting - employee experience



**Myth buster: Payrolling benefits in kind doesn't cause 2 years of tax to be collected in one year**

# Reporting via payrolling benefits in kind - employee experience

2027 / 2028

- ▶ Currently voluntary, but mandatory from April 2027
- ▶ The taxable value of the benefit is calculated
- ▶ This is processed via payroll as a notional payment each pay period
- ▶ No adjustment required if calculated and processed correctly

Benefit provided - tax right\*\*

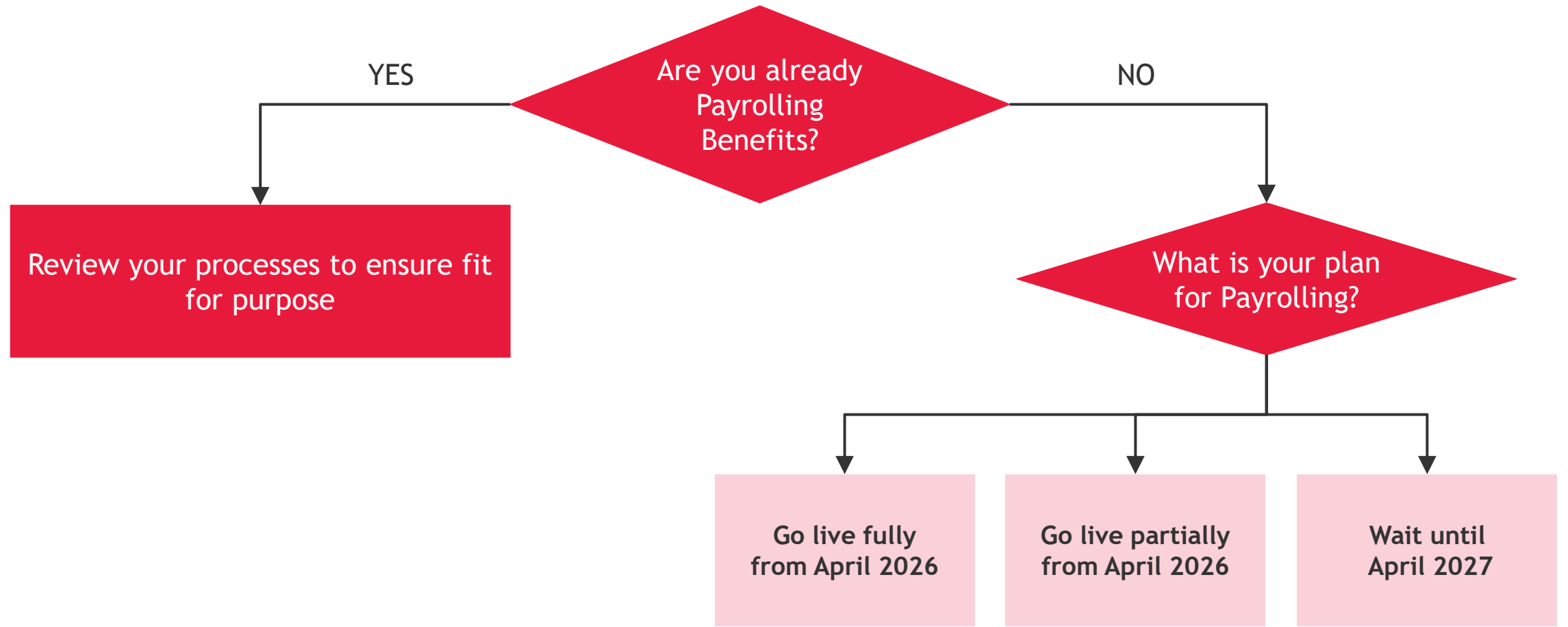


# Payrolling benefits in kind - employer considerations

Data	Calculations	Communication	Reporting
HR, Finance, Tax, Procurement, Global Mobility	Tax, Payroll	HR	Tax, Payroll
<b>Where does data come from</b> <ul style="list-style-type: none"> <li>▶ Benefits providers</li> <li>▶ HR</li> <li>▶ Global Mobility</li> <li>▶ Expenses / ccc</li> <li>▶ Procurement</li> <li>▶ Car fleet management</li> </ul>	<b>Technical aspects</b> <ul style="list-style-type: none"> <li>▶ Preparation of calculations</li> <li>▶ Current unknowns</li> </ul> <b>Pay periods in year</b> <b>OpRA</b> <b>Class 1 v 1A NIC</b> <b>Digital support</b> <b>Reconciliations</b>	<b>Employee communication</b> <ul style="list-style-type: none"> <li>▶ Upfront aspects</li> <li>▶ Ongoing communication regarding changes</li> <li>▶ Total Reward Statements</li> <li>▶ Advice at year end</li> </ul> <b>Training for Payroll / HR</b>	<b>Current processes</b> <b>Payroll / RTI</b> <b>Class 1 v 1A NIC</b> <b>Reconciliations</b>
<b>Testing</b>  <b>Updates</b> <ul style="list-style-type: none"> <li>▶ Premiums, etc</li> <li>▶ New joiners</li> <li>▶ Leavers</li> </ul>			

Governance including process documentation, record keeping and issue tracking

# Decisions and actions



## For more information



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# **CTG Conference VAT & Tax implications – Corporate Sponsorship**

Socrates Socratous, VAT Partner  
Luke Savvas, Tax Partner

December 2025



# 01 Before Considering VAT / Tax...

The background features decorative wavy lines in white and a vibrant yellow-green color, creating a modern, flowing aesthetic.

# Commercial Partner – General Considerations

This session covers only VAT/Tax considerations, and you should obtain separate legal advice before entering into any level of work or involvement with a commercial partner.

## Potential non-tax considerations can include:

- Ensuring there is a common understanding of the intended arrangement from the start and throughout
- Commercial Participator Agreements and check when you need them (next slide)
- Any financial commitment from the charity or exposure
  - Protect charity assets, and are there any potential third-party liabilities?
- Any conflicts of interest - protect reputation!
- Due diligence on the corporate partner, does it depend on who?
- Length of involvement and future considerations
- Have they done something similar with others?
- Plus more.....

The initial process may not be as quick as you think!

# Commercial Participator Agreements Requirement

Rules on when a charity enters into a commercial partnership to receive or further raise, money.

## **Section 58 of the Charities Act 1992:**

*The commercial participator – a person who carries on, for gain, a business other than a fundraising business, but in the course of that business engages in promotional ventures in the course of which it is represented that charitable contributions are to be given to or applied for the benefit of a charitable institution.*

- This can include a bank that issues a credit card where a percentage of the customer's spend/debits are donated to particular charities.
- By law, a commercial participator/partner cannot promote that they will give money to charity unless there is a written agreement beforehand. Section 59 CA92
  - Commercial Participator Agreement (CPA, see later slides)
- The *Charities (Protection and Social Investment) Act 2016*, extended the standard requirement of a CPA to include how the professional fundraiser or commercial participator will protect vulnerable people and other members of the public from certain behaviours, such as undue pressure and how the charity will monitor compliance with the agreement. Also refer to the New Fundraising Regulator guidance on working with commercial participators.

# 02 VAT / Tax Issues

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# Donation or Sponsorship

- In the Charity world, the two terms are regularly used to signify support but in the VAT/Tax world they have a different meaning
- Donation – Funds which are freely given with no expectation of receiving goods or services in return
  - As no supply, no consideration and therefore payment will be outside the scope of VAT
- Sponsorship - payment to a charity with the expectation that the sponsor, normally a corporate, will get something in return
- If goods or services supplied, must determine the VAT liability of the supply or if this is part of your Primary Purpose for direct tax
- If sponsor is located overseas, the supply of services will be outside the scope of VAT

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# Sponsorship Agreements

Typical benefits that would potentially be considered a benefit to the sponsor for VAT/Tax purposes, include:

- Naming an event after the sponsor.
- Displaying the sponsor's company logo or trading name.
- Participating in the sponsors promotional or advertising activities.
- Allowing the sponsor to use your name or logo
- Giving free or reduced price tickets to an event
- Exclusive or priority booking rights
- Providing entertainment or hospitality facilities

Any of the benefits above are likely to be considered a significant benefit provided to businesses, which will lead HMRC to argue that they cannot be donations.

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# Sponsorship Agreements

A taxable supply is not created where you provide an 'insignificant benefit' such as a minor acknowledgement of the source of the support. HMRC Examples:

- Giving a flag or sticker
- Acknowledging the donor in a list of supporters in a programme or on a notice
- Naming a building, a wing of a building, an area of a facility, a role or post in the charity (such as first violin of an orchestra), or university chair after the donor
- Putting the donor's name on the back of a seat in a theatre or on any part of the fabric for which they have paid or part paid for
- Giving a certificate which acknowledges a person's donation
- Payments for 'buy-a-brick' campaigns or for buying clothing that supports a campaign, but cannot realistically benefit the donor
- A charity sponsoring another charity in order to merely show shared endeavour or support in a mutually charitable and collaborative area
- Facilities

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# Commercial Participation Agreement

## What is a Commercial Participation Agreement (“CPA”)?

- When a business is donating to a charity through sales of their products and/or services, they are known as “commercial participators”.
- Legally they must enter into an agreement with each charity that they want to support before starting their fundraising.
- The agreement is called a Commercial Participator Agreement and charities should be aware of what needs to be included and the standard terms that both parties must agree to.
- Standard terms to cover include:
  - The charity name/logo and how it will be used by the business
  - How the fundraising will be achieved
  - How much will be raised, the fundraising target



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# Commercial Participation Agreement

## What is the issue from a VAT perspective?

- For a donation to be outside the scope of VAT, the donation must be freely given without anything expected in return (other than an 'insignificant' benefit). The donation must be unconditional.
- The existence of an agreement between the parties, is likely to mean that the charity is supplying something in return for the funding
- Common for such agreements to allow for the use of name and logo – likely to lead to increased sales for the supporter or greater marketing opportunities
- Sometimes arrangements are that a third party receives the benefit of services – third party consideration
- All sums received will be treated as 'consideration' -even if more than normal 'market value' or what would normally be charged
- Consider if more efficient way to structure the arrangements- what is impact on the supporter?

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# VAT Issues

## HMRC view

- HMRC consider that most CPA's will result in a significant benefit arising for a business. The argument is that the business will achieve more sales of the product/service as a result of entering into the agreement
- This is especially the case where you have a specified product that is advertised as being linked to a charity, this includes the following types of promotions:
  - Set amount of every sale goes to named charity
  - Set amount of profit from every sale goes to named charity
  - All profit from every sale goes to named charity
- In terms of other Corporate fund raising it will depend on exactly what is being provided on what terms and whether any benefits would be enough to mean that the payments given cannot be treated as donations

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# Other Types of Agreements

- Sponsorship agreements
- Corporate agreements that are not CPA's
- Volunteering days for corporates
- Staff collection/fund raising initiatives
- “Charity of the year” arrangements - could be accepted as donation but depends on arrangements

Activities which are more likely to generate funds treated as donations by HMRC:

- Volunteering days for corporates
- Staff collection/fund raising initiatives
- Business “top ups” or “matching”

Always necessary to review the agreements

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# Is there a Solution?

If a donation is made separately from the sponsorship agreement, or the sponsorship agreement document makes clear which part is payment for sponsorship services and which is a donation, you do not need to account for VAT on the donation.

However, it must be clear that any benefits sponsor receives are not conditional on the making of the donation or gift.

Para 5.9.6 VAT Notice 701/1:

*Where a charity (or other non-profit making body) agrees to let a commercial business use its name in order to raise donations, there is a supply of the benefit to the commercial business of increasing sales. However, there is no need for all the payments to be assumed to be made in return for the benefit. The value of that benefit must be calculated and a fair value stipulated in the contract. The remainder can be treated as a donation from the commercial business to the charity, and is outside the scope of VAT*

*It is often regarded as good practice for charities to enter into 2 agreements with corporate sponsors when entering into 'charity of the year' or similar arrangements. The first is between the charity's subsidiary and the sponsor over the granting of publicity rights. The second is between the main charity and the sponsor to receive the donation. In this case, the donation will be outside the scope regardless of whether a minimum donation is promised.*

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# Common Pitfalls & Areas of Difficulty

- How to price a licence fee? There is an 'unwritten' 90/10 split that seems to be acceptable as a starting point for HMRC, but it isn't a default setting, you must analyse the benefits provided and justify the rate applied. The fee charged for services is typically be between 10%-20% of total funding.
- Make sure you have a VAT clause in any CPA or similar corporate fundraising agreement that allows any amounts to be VAT exclusive.
- Most businesses are able to reclaim VAT incurred on these costs, but bear in mind that not all businesses can (i.e. banks, financial services and insurance companies have a low VAT recovery in general).
- Take VAT advice before entering into any agreements – may need legal advice
- Does the sub have an agreement with the charity to exploit name and logo of charity
- Guidance for fund raising staff – generally a 'disconnect' between Finance and Fundraising teams, VAT is always easier to navigate before you enter into an agreement, or before the terms have already been agreed.

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# Barter Transactions

## Area often missed

- Transactions where the consideration is not wholly in money.
- Each supply has its own VAT liability – one side of ‘barter’ may be liable to VAT, the other might not be.
- Establish what each party is supplying – sometimes there is some cash/sometimes not.
- What is VAT liability of respective supplies – e.g overseas sponsor?
- What is the value – amount recipient would be willing to pay in absence of barter, subjective test.
- What is the tax point – date goods are supplied, receipt of consideration, date of invoice.
- Can be further complicated if building services supplied – domestic reverse charge?
- Identify barter ASAP and agree actions/implications on both sides

# Barter Transactions

## Example

- Sports Charity wanted to help UK win medals during Olympics
- Entered into arrangement with large Corporate to have use of wind tunnels
- No payments between the parties BUT:
  - Charity supplied Marketing/advertising/use of charity logo
  - Company supplied use of wind tunnels
- Clearly a supply of taxable services both ways
- Company made reference to inflated value in annual accounts –wanted to demonstrate commitment to winning medals!
- Disclosure made to HMRC who say in guidance:
  - *You must both account for VAT on the amounts you would each have paid for the goods or services if there had been no barter and they had been paid for with money*
- Company met the cost but shows risk when VAT overlooked!

# Get in touch!



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**S3TAX**

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National  
Trust

# **Tax issues for charities to consider with ecosystem services**

## **BIODIVERSITY NET GAIN**



# Agenda

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- What are ecosystem services?
- Explanation of Biodiversity Net Gain (BNG)
- VAT treatment and VAT recovery
- National Trust – practical considerations
- Q&A session

# What are ecosystem services?

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- Ecosystem services describes the benefits we all gain from the natural world (for example pollination)
- High integrity nature markets have a role to play in supporting the delivery of net zero and other environmental goals and targets.

# What are ecosystem services?



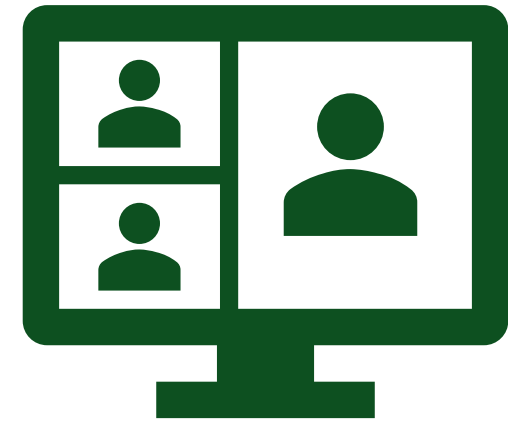
- Existing ecosystem service markets are at various stages of maturity and new initiatives are being developed:
  - Carbon markets – verification of additionality and reduction in carbon:
    - Woodland carbon units through permanent removal of carbon through tree planting.
    - Peatland carbon units through the restoration of peatland to avoid greenhouse gases being released
    - Pending issuance units – future promise that woodland or peatland carbon units will be delivered to the purchaser
    - *New Beyond Value Chain Mitigation*: private sector funding for decarbonization and other nature-based solutions beyond reduction of their own and their supply chain's emissions.
  - Nutrient neutrality/mitigation – developers required to ensure development does not increase net nutrient pollution or funding to landowners to reduce use of nitrogen in their land management activities
  - Biodiversity Net Gain (BNG) Units

# Ecosystem services guidance

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- HMRC working group on taxation of ecosystem services is drafting guidance on direct and indirect taxation of ecosystem service markets. CTG (National Trust, RSPB and S3TAX) inputting into the drafting



# What is BNG?

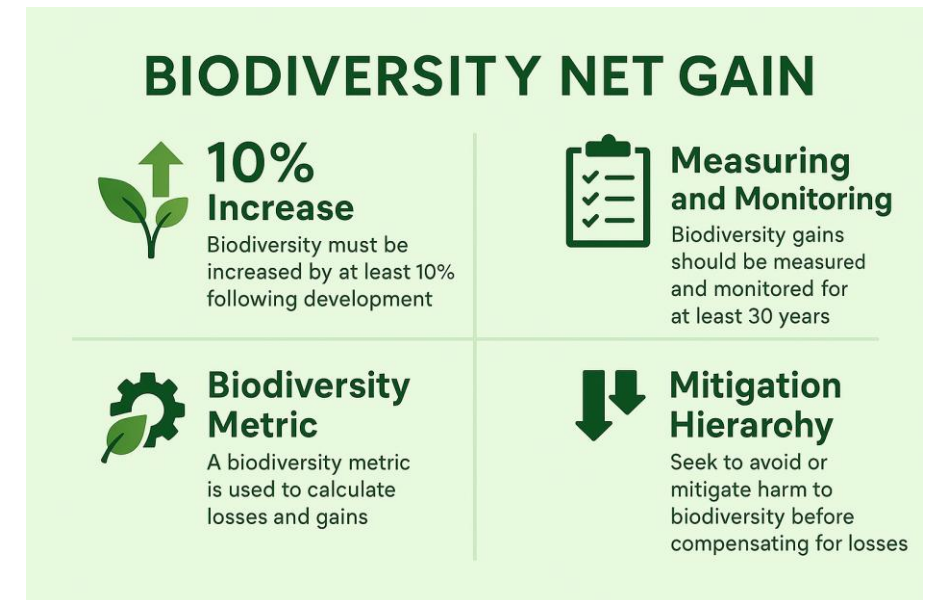


- Biodiversity Net Gain (BNG) aims to leave the natural environment in a better state following development activities by creating and improving natural habitats.
- A developer is required, as a condition of planning consent, to deliver environmental benefits to offset the impact of a development.
- In **England**, BNG became mandatory in February 2024, this was provided for under Schedule 7A of the Town and Country Planning Act 1990, inserted by the Environment Act 2021.

# Hierarchy of Methods to Achieve BNG



- 1 On-site within the development land
- Off site creation:
  - 2 on own land outside the planning area
  - on third party land by buying the allocation right for units created there. Units can only be allocated to a single development.
- 3 Purchase of statutory credits from Government





# BNG Obligations



The landowner is legally responsible for creating or enhancing habitat, managing that habitat for 30 years and delivering the agreed BNG. This could be:

- a developer who creates BNG sites on land they own
- a landowner who has committed to creating BNG units on their land and registered the BNG site with Natural England. Referred to as a ‘land manager’ or “habitat bank”

## BIODIVERSITY NET GAIN



### 10% Increase

Biodiversity must be increased by at least 10% following development



### Measuring and Monitoring

Biodiversity gains should be measured and monitored for at least 30 years



### Biodiversity Metric

A biodiversity metric is used to calculate losses and gains



### Mitigation Hierarchy

Seek to avoid or mitigate harm to biodiversity before compensating for losses



# Charities as Sellers of BNG Units - VAT











- HMRC have yet to publish any specific VAT guidance for BNG but confirmed to the Land and Property Liaison Group in September 2024, that sales of units are **standard-rated**.
- HMRC guidance on carbon credits makes indirect reference to BNG (VAT manual VATSC06584)- *“There are other ecosystem services that may have shared characteristics with carbon credits and as such may have the same treatment provided certain principles are met.”*
- VAT on costs incurred in creating or enhancing habitats to fulfil the BNG requirements is recoverable as input tax subject to the normal VAT rules.

# BNG – sale of units



- Either sell direct to developers requiring BNG units or use a broker.
- Landowners or tenants must register their biodiversity gain site on the national biodiversity gain sites register.

Wildfell Centre for Environmental Recovery	Ponds Habitat	Pershore Habitat Bank
 Pending Legal	 Available – Registered	 Pending Legal
<b>Wildfell Centre for Environmental Recovery</b> Braintree	<b>Ponds Habitat</b> South Downs National Park	<b>Pershore Habitat Bank</b> Wychavon
Units available: 340.45	Units available: 4.06	Units available: 136.08
£29,500 - £45,000	£30,000	£23,500 - £54,000
 Area  Hedgerow	 Area	 Area  Hedgerow

(Source: Gaia website - August 2025)

# Charities as Developers Requiring BNG Units

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- **Developer using own land:**  
VAT on costs incurred in creating or enhancing habitats to fulfil the BNG requirements is recoverable as input tax subject to the normal VAT rules. The VAT is attributable to own supply of the development.
- **Developer purchasing biodiversity units from third party:**  
VAT incurred is recoverable as input tax subject to the normal VAT rules. The VAT is attributable to own supply of the development.

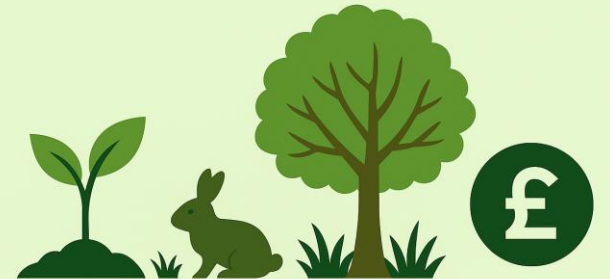


# HMRC BNG working group discussions



- Will HMRC accept input tax recovery over 30 years as attributable to the original taxable supply of the land?
- What about developers who make an initial zero-rated supply of the land then only receive exempt rent?
- What happens if the BNG land is sold on during the 30-year period?
  - Possible VAT recovery issues for purchaser?
  - Could this be a barter arrangement?

## BIODIVERSITY NET GAIN AND VAT RECOVERY



# Practical considerations for BNG



- Put BNG at the core of any development plans.
- Flag to colleagues if going for planning permission that they will now need to involve ecologists, legal, tax and finance in the process.
- External consultants may not understand the constraints for your charity
- Planning for the cost and time for BNG if doing this on your land. Ecologists are in high demand and seed is scarce so needs to be ordered early.
- It takes time to get sites registered with Natural England





# Any Questions?

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Lizzy Conder - National Trust

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# Paying Gift Aid to the Parent Charity – Useful to Know

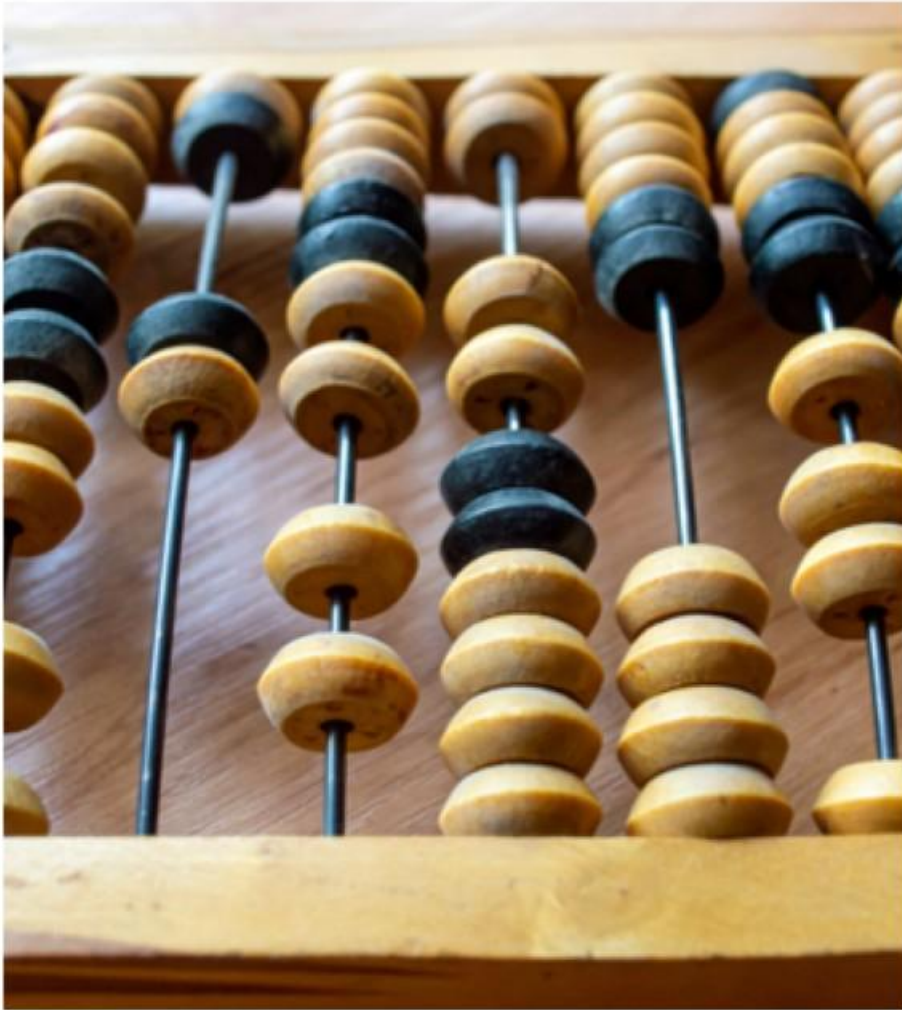
Crystal Leader

Corporation Tax Senior Manager

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5 December 2025

# What will we cover?



1. Section 199 Claim
2. Paid too much gift aid
3. Distributable reserve
4. Acquired a new subsidiary
5. Tax planning: gift aid and group loss relief
6. Summary



# Gift Aid Basics

Gift aid offsets taxable profits (not accounting profits)

Must be paid from distributable reserves

Must be paid in cash

Charities subsidiaries get extra 9 months to pay

# Section 199 Corporation Tax Act 2010

By default: Gift aid offsets the taxable profits in the year it is paid.

With year end December – Gift aid paid in September 2025 offsets December 2025 profit

## *Make a section 199 claim*

- Gift aid offsets the taxable profits in the prior year ended less than 9 months before
- September 2025 gift aid offsets the December 2024 taxable profits

# How to make a Section 199 Claim?

On the tax return - Add a footnote or a narrative.

## Example footnote

The Company is wholly owned by the charity named [charity name].

It makes a claim under Section 199 Corporation Tax Act 2010 to use this amount [£amount], paid in September 2025, to offset the taxable profits for the year ended 31 December 2024.





# Paid too much gift aid

- December 2024 year end
- Paid £500K gift aid in September 2025
- Tax return finalised in December 2025
- £400K taxable profits
- Paid £100K too much!
- Excess gift aid wasted? **No**



## ***What to do?***

- On the final tax return, the footnote should say the Section 199 Claim is for the £400K.
- By default, the £100K offsets the December 2025 profits.
- Be careful – Do not say Section 199 Claim is for the entire £500K. The gift aid is indeed wasted!

# Distributable reserve

The Company should have sufficient distributable reserve for the gift aid payment.

*At the time of payment  
(Not at year end)*

- Gift aid required £400K
- Reserve 31 Dec 2024 - £300K
- Reserve increased to be £500K by 31 August 2025
- Pay gift aid £400K in September 2025





# Charity acquired a new subsidiary

Does this new subsidiary have the extra 9 months to pay gift aid?



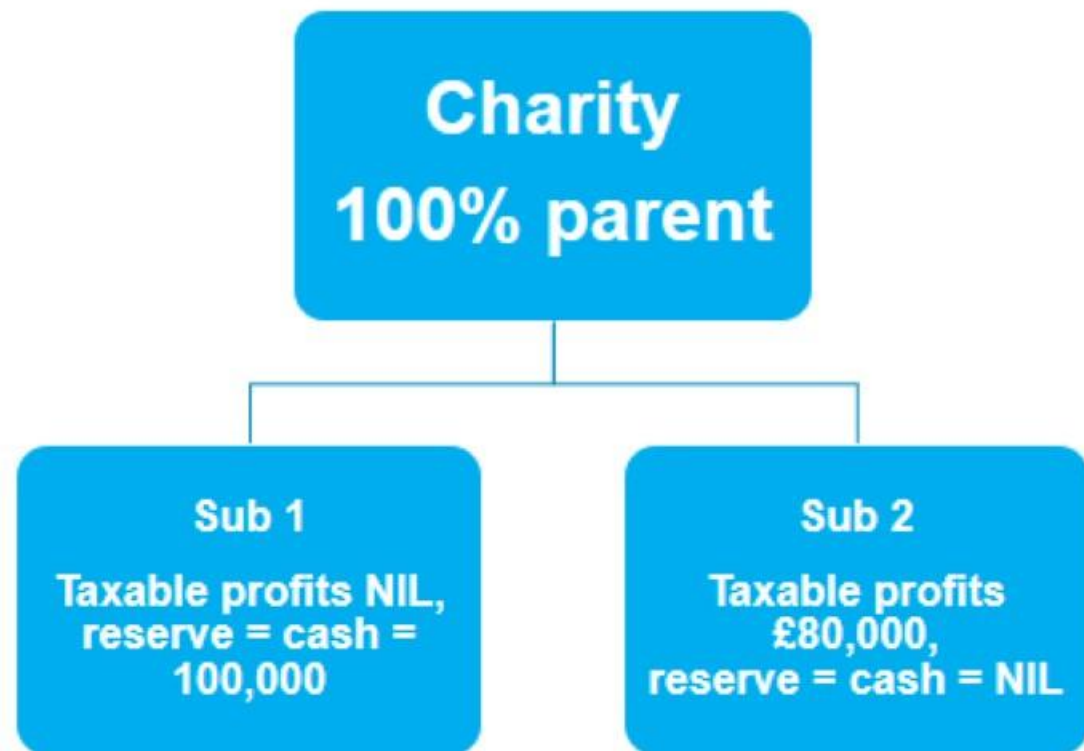
**Yes**, from the date it is wholly owned by a charity

It may make the Section 199 Claim

Subject to distributable reserves

The new subsidiary makes the Section 199  
Claim on its tax return

# Tax planning with gift aid and group loss relief



Normally no gift aid and Sub 2 pays tax on £80,000 profit

## *Tax planning*

- Sub 1 may gift aid £80,000 to the Charity and surrender the £80,000 to Sub 1 as group loss relief
- Sub 2 claims £80,000 group loss to offset its taxable profits
- No companies pay tax



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# Unlocking Creative Sector Tax Reliefs

Peter Chapman, KPMG

# Unlocking Creative Sector Tax Reliefs: Agenda

Today's Objectives:

- **Demystify** Creative Sector Tax Reliefs
- **Address** common misconceptions
- **Equip** you to assess eligibility & enhance claims

Quick Poll: Are you already making creative sector relief claims?



# What are Creative Sector Tax Reliefs?

## Government Incentives for Cultural Activities

- **Reduce tax liability** or provide **cash repayments**
- Directly benefit **non-profit organisations**

## Key Reliefs for Charities

- **Theatre Tax Relief (TTR):** Theatrical productions (plays, opera, ballet)
- **Museums & Galleries Exhibition Tax Relief (MGETR):** Creating/closing exhibitions
- **Orchestra Tax Relief (OTR):** Orchestral concerts



# Who Can Benefit?

Many charities in the arts and culture sector are eligible.  
Eligibility is based on activity, not size.

- **Theatre Production:** Developing, staging, and performing plays.
- **Museum/Gallery Exhibitions:** Curating and presenting public displays.
- **Orchestral Performances:** Creating and performing orchestral, classical, and operatic music.



# Debunking Common Misconceptions

Many charities assume these reliefs aren't for them, but that's often not the case.

- **Myth 1: "Only for commercial organisations."**
- **Reality:** Designed for cultural activities, regardless of charitable status. Your charity can benefit!
- **Myth 2: "Too small to benefit, effort isn't worth it."**
- **Reality:** Small charities see significant gains. Even modest claims provide crucial funding.
- **Myth 3: "Too complex or not worth the effort."**
- **Reality:** With guidance, it's a structured process. Financial return often outweighs administrative effort.
- **Myth 4: "We don't pay Corporation Tax, so we can't claim this."**
- **Reality:** Claim is possible, even where no CT liability.



# Eligibility Criteria: Does Your Project Qualify?

To qualify for Creative Sector Tax Reliefs, your project must meet specific criteria:

- **Eligible Costs:** Focus on 'core costs' directly related to the creative activity (e.g., production expenses, rehearsal costs, artist fees, set design).
- **Public Consumption:** Intended for general public access (e.g., public performances, exhibitions, concerts).
- **Exclusions:** General fundraising events, private functions, non-creative activities, marketing and general overheads are typically not eligible.

Consider your projects: Do they align with these fundamental requirements?





# Making a Claim: Practical Steps

1. **Identify Eligible Activities & Projects:** Pinpoint creative projects meeting cultural criteria.
2. **Gather Supporting Documentation:** Compile contracts, invoices, payroll, schedules, etc.
3. **Calculate Qualifying Expenditure:** Track and differentiate direct project costs (pre-production, running costs, closing costs).
4. **Prepare Additional Information Form (AIF):** Submitted to HMRC online before tax return is filed.
5. **Submit Claim via Corporation Tax Return (CT600):** With your annual CT return.
6. **Maintain Thorough Records:** Keep comprehensive records for 6+ years for potential HMRC review.



# Enhancing Your Claim

Moving from simply *claiming* to *enhancing* your relief.

- **Review All Eligible Costs:** Are you missing any direct or attributable overheads, staff time, or administrative costs?
- **Consider Co-productions & Partnerships:** Explore shared benefits and how reliefs apply to collaborative projects.
- **Amend Previous Years' Claims:** HMRC allows amendments for up to two years – don't miss out on retrospective claims.

## Case Study: Enhancing a MGETR Claim

- **Initial thought:** Only core production costs eligible.
- **Action:** Reviewed *all* costs, including artistic director's time, overlooked creative space, appropriate overhead allocation.
- **Result:** **c.30% increase** in relief compared to initial estimate, reinvested into charitable activities.





# Q&A & Further Support

This is your opportunity to clarify, discuss, and explore specific scenarios.

## How KPMG Can Support

- **Workshops & Training:** In-depth, customised sessions for your team.
- **Eligibility Reviews:** Assess your charity's potential claims.
- **Claim Reviews & Preparation:** Expert assistance from identification to submission.
- **Enhancement Strategies:** Identify opportunities to enhance your reliefs.
- **Tailored Advice:** Addressing your charity's unique circumstances e.g. HMRC correspondence or queries

## Useful Resources

- **HMRC Guidance & Manuals:** Official, up-to-date information.
- **KPMG Insights & Publications:** Stay informed on tax topics.



# Contact Us



## Peter Chapman

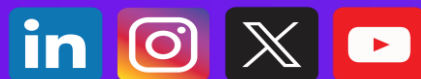
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# Grants vs Contracts

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A difficult area

One of the most popular areas visited on CTG website

HMRC guidance on the subject (VAT supply and consideration – VATSC06300)

A number of cases on the subject

Today – an illustrative example

# Grants vs Contracts

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Why important?

Potential underpayment of VAT on income

Failure to register for VAT

Over recovery of VAT on costs

Under recovery of VAT costs

Business or non-business activity?

# Grants vs Contracts

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HMRC guidance (derived from case law – they say).

- Does the grantor receive anything in return for the payment?
- Are there any conditions attached to the payment that go beyond merely having to mention it in account statements?
- What will the payments be used for?
- If the funder does not benefit directly, does any third party receive a benefit?
- Is there a contract and what are the terms and conditions?

# Grants vs Contracts

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A real life scenario based on true facts

- Police Authority
- Want to invest in crime prevention through education
- Visit households to talk about improving home security
- They identify an entity with lots of household contact which can do this

# A scenario



- Award a grant to Santa
- ‘Talk to people about home security’
- Refund expenses up to £100k
- Clawback Claus
- Is VAT due on the ‘grant’?



# HMRC - Factors indicating a grant

Funder is not a  
beneficiary

Application  
process

Clawback  
provision

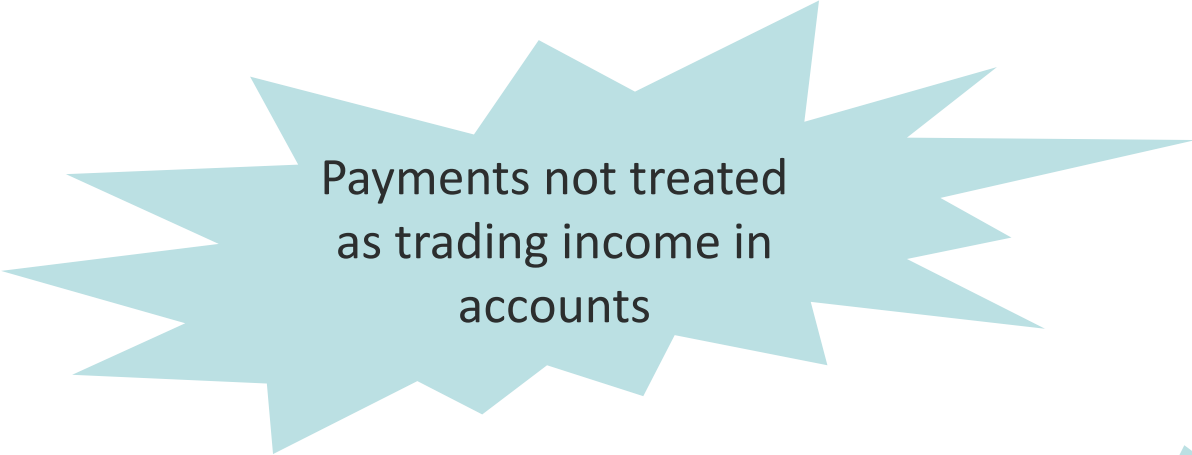
A reimbursement  
of expenditure

No legal redress  
if funding  
withdrawn


Statutory  
powers to make  
grants

# Factors indicating a grant (weak)


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Payments not treated  
as trading income in  
accounts




Funder will not  
attempt to control  
how funding is spent




Recipient sets  
targets not  
funder

# Factors indicating a supply

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Work normally  
done by  
funder



Legal redress  
if funder  
defaults



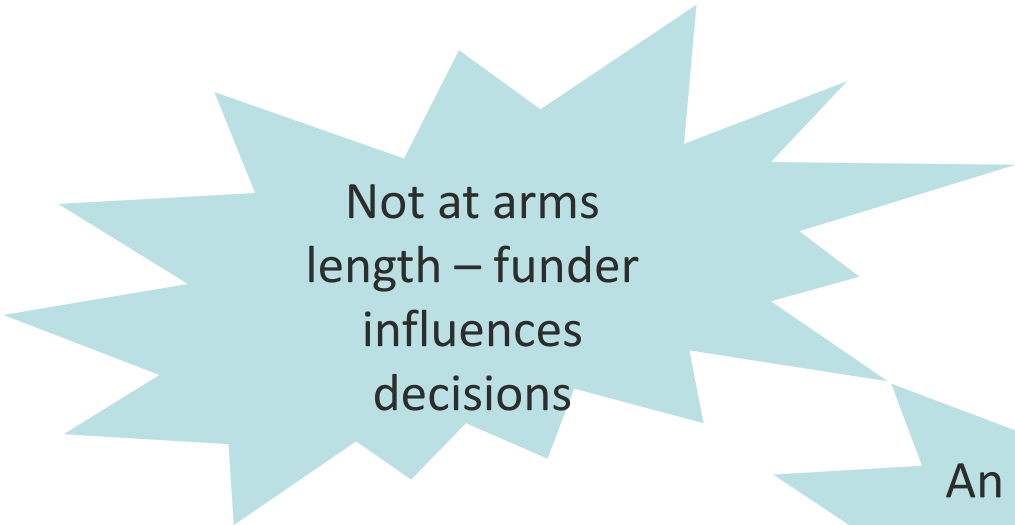
Commercial  
contract – e.g.  
penalty clauses

# Factors indicating a supply (weak)


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Funder  
commissions  
work



Not at arms  
length – funder  
influences  
decisions



An economic  
activity



Billing for  
specific sums

# Grants vs Contracts

---

Applied to Santa...

If statutory duty of Police Authority to do this work – may then be a sub-contract.

If not – benefit to Authority is indirect, not very specific, refunds expenses, clawback

Likely to be a grant

# Grants vs Contracts

---

Santa grant is probably a grant

But in year 2, Police Authority want more:

A minimum number of households visited

A time frame

Feedback from households

Copy invoices of 'sleigh related expenditure'

# Grants vs Contracts

---

Probably still a grant –  
conditions simply ensure that funding is spent in correct way.

But there is competition in town

Someone else visits every household in this period

Lets call them 'Rainforest'

# Grants vs Contracts

---

Police Authority issue a tender

Set fee per household visited

5 year award with break clauses

Performance conditions and penalties

Now a contract – plus VAT

Is that a bad thing?



# Grants vs Contracts

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Key points:

Need to do a careful analysis

HMRC guidance – slightly helpful

Very similar activities with different conclusions

Things move on

VAT is not always a bad thing

# Santa's sack of donated goods

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Does Santa need to declare VAT on his gifts?

(Overlooking the import position....)

Depends if he claimed input tax?

If yes – may have a VAT liability, subject to business gift rules

A problem for commercial entities donating goods to charity for use by beneficiaries

# Santa's sack of donated goods

---

New rules from April

£100 donations allowed

£200 for certain household goods

Limit is per item

Value = Cost price or valuation (e.g. taking condition into account)

Certification expected

# **What tax issues should keep my board of trustees awake at night?**

John Daley

Susan Ball

Paul Knight

## CTG – Ensuring a sustainable CTG that is built for the future

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- Appointment of a first ever CEO
- Launch of a new CTG website in 2026
- Increased relevance with greater engagement planned with the sector and beyond
- Continuing to meet unmet need in understanding charity tax
- Increasing our membership as our mission is better understood

# Conference close