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Jane Ellison MP
Financial Secretary to the Treasury
HM Treasury
1 Horse Guards Road
London, SW1A 2HQ

Dear Minister

Congratulations on your appointment as Financial Secretary to the Treasury.

We look forward to working with you on tax and VAT issues affecting charities, building on the strong relationship we have enjoyed with previous Ministers responsible for charity taxation and HM Treasury and HMRC officials.

The Charity Tax Group (CTG), which I chair, has over 500 members of all sizes representing all types of charitable activity. CTG was established in 1982 to make representations to Government on charity taxation and have since become the leading voice for the sector on this issue.

At our annual conference in April, your predecessor as Minister responsible for charity taxation helped us launch our new website www.charitytaxgroup.org.uk, which includes Charity Tax Online our comprehensive guide through the taxes facing charities, which is already proving an invaluable tool for the sector.

We are hopeful that the roundtable with sector bodies that had been scheduled for earlier this month will be re-arranged and that we will have a chance to meet you soon. In the meantime, we have taken this opportunity to highlight some of our current policy priorities in the attached annex.

I look forward to meeting you but please do not hesitate to contact me if we can be of any assistance.

Yours sincerely


John Hemming
CTG Chairman

Charity Tax Group – Briefing on topical charity tax issues

Exiting the EU

It is important that the interests of charities are not forgotten as the Government negotiates the exit from the EU. We urge the Government to consult the sector throughout this process to avoid any unintended consequences that could have an adverse impact on charities.

VAT

As the Government scrutinises the current VAT system following the exit from the EU, there is a real opportunity to address the structural distortions that charities face due to irrecoverable VAT. At the same time, it is important to register that VAT zero rates are of crucial importance to the sector and the social exemptions that apply to the activities of charities must be protected.

Common Reporting Standard

We are working closely with your officials to ensure that charities do not face an onerous and disproportionate administrative burden because of the new Common Reporting Standard (CRS). While we welcome the news that corporate charities are unlikely to be affected, we call on the Government to consider charitable trusts as well, as the differences between these types of charities are arbitrary and irrelevant in this context. Given that this legislation came into force on 1 January 2016, discussions on the implementation of CRS are ongoing and no charity guidance has been issued, we urge the Government to consider as a minimum a transition period for charities or alternatively to agree to waive any penalties incurred in the first year for failure to complete a return.

Apprenticeship Levy

We have been working closely with officials to ensure that the Apprenticeship Levy is beneficial to charities (or, at any rate, not positively harmful to them) and not simply an additional payroll tax. Many charities do not currently employ apprentices – nor, realistically, could they do so – so it would be helpful if charities' levy contributions could be extended to volunteer training and expenses, so that charities do not face large additional salary costs with little or no capacity to utilise the credit. A partial solution would be to permit a charity to assign its credit to an organisation which it is supporting as part of its charitable purpose and thus enable it to increase its support. Finally the guidance for charities has not been published so many charities are unable to prepare for the introduction of the Apprenticeship Levy; we therefore call on the Government to delay the implementation date or allow charities longer than 18 months to make use of their levy contributions.

Gift Aid

We recently submitted our response to the Gift Aid Small Donations Scheme (GASDS) consultation and overall we support the Government's proposed reforms. The relaxation of the Gift Aid history requirement is welcome and should help to make GASDS more accessible to smaller charities, but we think that the Government can take further steps to maximise the effectiveness of the relief. We specifically welcome the proposal to extend GASDS to contactless payments and the proposals to simplify the operation of the community buildings rules.

In addition to the GASDS consultation, we were glad to have the opportunity to respond to the consultation on simplifications to the Gift Aid donor benefits rules earlier this year. We hope that the Government will give careful consideration to our representations and undertake a detailed review of the interpretation of the fundamental "in consequence" rule, because the lack of clarity continues to cause problems for charities.

Charity business rates relief

The confirmation earlier this year that mandatory charity business rates relief was to be protected in England was very welcome. We hope that the Government will work with the sector to assess the implications of business rates retention on local discretionary rate relief to ensure that charities receive consistent treatment.