

Charity Tax Updates in Cardiff

16 November 2017

#ctgcardiff

Charity Tax Group

- Leading representative body for charities on tax issues
- Over 500 Charity and “Observer” members
- Lobbying and information provision role
- www.charitytaxgroup.org.uk provides access to regular newsletters and consultation & case law trackers
- Join today!

Meeting Agenda

- **14.05** – Gift Aid and GASDS update
- **15.00** – VAT update
- **15.30** – Update on other tax and policy issues
- **16.00** – Meeting finishes

Gift Aid and GASDS update

Steve Carroll, HMRC

#ctgcardiff

Topics

- Gift Aid Overview
- Donor Education Programme
- Gift Aid Small donations Scheme (GASDS)

Gift Aid Overview

What is Gift Aid?

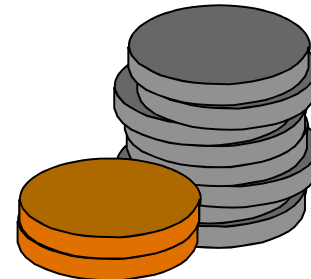
What is Gift Aid?

giftaid it

Gift Aid can be claimed on donations of money made by an individual UK income taxpayer. It's an easy way to help your charity or community amateur sports club (CASC) maximise the value of donations.

Charities can claim back 25p every time an individual donates £1 to your charity or community amateur sports club (CASC).

- Donation from a UK Taxpayer £100
- Charity can claim £25



That tax can be



- Income Tax paid at 20%, 40% or 45% rate
- Tax deducted from Bank or Building Society interest at 20% rate
- Tax deducted from dividend income at 10% up to 5 April 2016
- Capital Gains Tax paid at 18% or 28%



HM Revenue
& Customs

Protective marking – Unclassified, Protect, Restricted (delete as required)

Gift Aid Declaration

A Gift Aid Declaration must contain;

- Name of charity or CASC
- Name of donor
 - Ideally, we would like to see; Mr John Smith
 - We will accept; John Smith, J Smith, Mr J Smith
 - Donor's full home address with the postcode.
- Description of payment(s)
- Declaration that payments(s) are to be Gift Aided
- Must include a declaration that confirms;



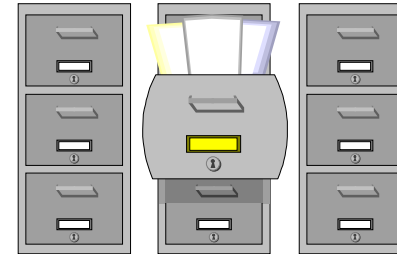
"I am a UK taxpayer and understand that if I pay less Income Tax and/or Capital gains tax than the amount of Gift Aid claimed on all my donations in that tax year it is my responsibility to pay any difference."



HM Revenue
& Customs

Protective marking – Unclassified, Protect, Restricted (delete as required)

Retention of Declarations



For Audit purposes;

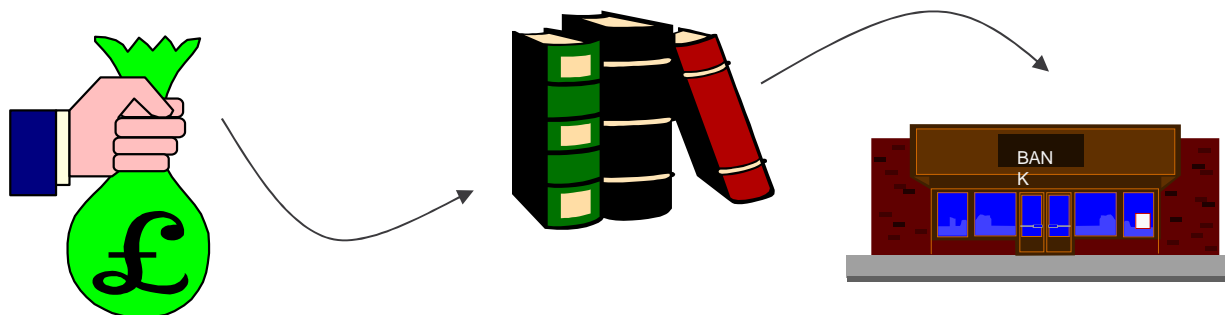
- Records should be kept for a period of 6 years (after the last donation)
- Must be available for inspection
- Can be retained as a scanned document



Audit trail

Audit trail from each donor;

- Through the charity's books & records and then into the charity's bank account.



Failure to Comply with the Audit Requirements

If a charity does not retain adequate records it may be required to pay back to HMRC all of the tax they have reclaimed with interest.

It is also likely that a penalty .

Please remember also that any penalty imposed could result in the suspension of any Gift Aid Small Donations claim for two complete tax years.



Joint Donations

- If a donation is drawn on a joint bank account and the charity has been given a Gift Aid declaration by one account-holder only, the charity can assume the donation is from the donor who has made a Gift Aid declaration - even if the cheque is signed by the other account holder.

e.g.

- Donation received from Mr and Mrs Smith's bank account.
- Charity hold a Gift Aid declaration for Mr Smith but not Mrs Smith
- Charity can assume that the donation has been made by Mr Smith
- If in doubt seek clarification from the donor e.g. a cheque drawn on the sole account of the other account-holder.

| 13



HM Revenue
& Customs

Protective marking – Unclassified, Protect, Restricted (delete as required)

Time Limits for claiming Gift Aid

- A charity which is a Company for tax purposes must make any claim within 4 years from the end of the accounting period to which the claim relates.
- A charity which is a Trust for tax purposes must make any claim within 4 years of the end of the tax year to which the claim relates.



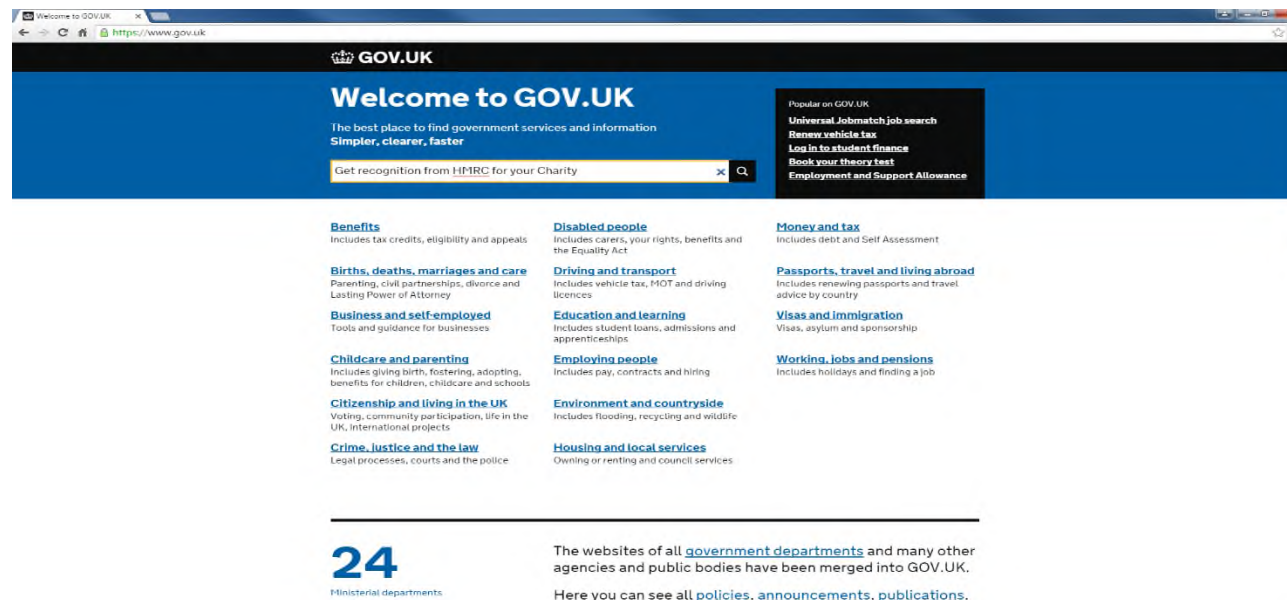
Charity Variation form (ChV1)

Introduced in July 2010 and must be completed
To HMRC 30 days before a claim if;

- Name & address has changed
- Authorised official and/or the Responsible person(s) has changed
- Bank account has changed
- The Charity's Trustees or Directors have changed
- Charity has appointed a new nominee

Register with HMRC Online – WWW.GOV.UK

- Go to – WWW.GOV.UK
- Search for – [Get recognition from HMRC for your Charity](#)





HM Revenue
& Customs

Any Gift Aid Questions?

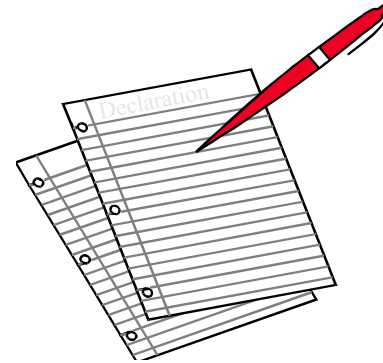


Donor Education Programme

This has been introduced over the last two tax years and has seen changes to all of the main on-line platform providers used by individual fundraisers.

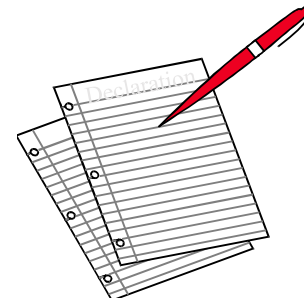
Gift Aid declaration

- Via a Declaration by the individual confirming that;



- *“I am a UK taxpayer and understand that if I pay less Income Tax and/or Capital gains tax than the amount of Gift Aid claimed on all my donations in that tax year it is my responsibility to pay any difference.”*

Why the change?



- Checks by HMRC have found that increasing numbers of GA donations do in fact not qualify for gift aid.
- Previously HMRC have simply asked are you a UK taxpayer via the Gift Aid Declaration.
- Recent research has highlighted a high number of non-eligible donations have and in some cases still are passing through on-line platforms without any verification checks by either HMRC or the platform provider themselves.
- This had resulted in up to 1 million GBP in Gift Aid being paid out every month when none was due.

The Gift Aid Eligibility Test

- HMRC recognised that for improvements to be made education to the donor would need to be increased .With this in mind we have worked closely with the larger on-line providers encouraging them to improve education via their fundraising packs and by introducing an on-line gift aid eligibility test.
- We have improved the Guidance on certain situations which may apply when giving on-line and this can be found at Chapter 3.44 on the detailed guidance notes.
- We accept however that there is little chance of this advice being read by an individual immediately prior to a donation being made.
- So we are working with the On-Line providers and the Charities themselves to try an improve education with the aim that Gift Aid is claimed only when it is due.

Quiz Time !

- QUESTION 1.
- A fundraiser who is a UK tax payer money from office colleagues and pub collections over a two month period and banks all of the money in his own bank account. He then uploads the total donations part of which is his own donation by using his own debit card. When donating on-line he confirms he is a UK tax payer and completes the declaration to confirm this.

Answer

- No gift Aid can be claimed.
- The fundraiser is simply passing on donations he has collected from various different sources.
- The only way he can claim gift aid on his own donation is if he splits that out by making a separate donation.

Question 2.

Kate organises a 'Fun Day and exhibition match' at her local rugby club in memory of her late father. Entry is by ticket only, and other funds are raised through a raffle, tombola, fairground rides ,bouncy castle and free-will donations. £1,000 is collected from all sources and Kate then pays this to her chosen charity using her social giving account and includes the message 'In loving memory of my father, Frank'.

Answer

- A number of failures: raffle tickets, funds from fairground rides and potential ticket sales.
- Advice should be given in any fundraiser hand-out that all of the above cannot attract gift aid.
- If the event ticket is free and a free will donation is made then this can be gift aided only if the Gift Aid Declaration is made by the person making the freewill donation. Not if he or she passes the money to a third party who then uploads the donation.
- If an individual collects the full name and address of the individuals that made the freewill donations and then passes the list to the charity along with a cheque for the donations collected then the charity themselves can claim gift aid by attaching the names and address to their own gift aid schedule when making a claim direct to HMRC.



Question 3

At a charity fundraising event Tony bids for a partial season ticket for Everton's final 6 home games.

Tony's bid of £250 'wins' the ticket

Answer

- Having spoken to the Head of Department and the HMRC legal team we would allow Gift Aid in this instance as there is very little chance of HMRC proving in a court of law that there would be a benefit attached to watching Everton.
- This will of course not be eligible for gift aid as it is a ticket purchased (via a winning bid)at a charity auction.

Donor Education

- So this is what HMRC are looking to encourage all charities to do. Improve education.
- HMRC have worked closely with all of the large on-line platform providers over the last twelve months and if you make a donation via one of those sites you will now see an additional step in the donation process.
- These are either 3 questions to be answered by the donor or they may be asked to confirm 3 statements;

I am donating my own money and the funds have not come from anyone else including family members or from an office or bucket collection

The money I am donating is not the proceeds from sales of goods or services or the sale of tickets

I have not received something in return for this donation such as an entry ticket to an event or a raffle ticket.

--

Of course there can be slight variations to the on-line advice but the overall message is the same.

Only freewill donations made by the individual can attract gift aid subject to the individual being a UK tax payer.

In the past nobody has ever thought beyond the statement 'Are you a UK taxpayer'.

Next Steps

- HMRC are in regular contact with the on-line providers sharing best practise and one on-line provider is in the process of implementing an additional validation check by asking an additional opening question 'Are you donating your own money'
- This is of high importance as data held indicates that a high percentage of the ineligible claims to gift aid are made by the fundraiser uploading funds collected via third parties to his/her own web page.



HM Revenue
& Customs

Any Donor Education Questions?





HM Revenue
& Customs

Gift Aid Small Donations Scheme (GASDS)

Small Charitable Donations Act 2012 (Gift Aid Small Donations Scheme)



- From 6 April 2013; Charities & CASCs that receive small cash donations of £20 or less will be able to apply for a Gift Aid style repayment without the need to obtain Gift Aid declarations for those donations
- GASDS is a public spending initiative (not a repayment of tax) that gives Charities & CASCs a top-up payment on donations they receive
- The total amount of small donations was capped at £5,000 maximum per tax year, giving a top-up repayment of £1,250.
- This increased to £8,000 maximum per tax year for GASDS collected from 6 April 2016 and the top-up repayment will increase to £2,000

Charities only have 2 years from the end of a tax year to claim a top-up payment on small donations before they go out of date.

What is a small donation?



- A cash donation of £20 or less from an individual
- Donations must be collected and banked in the UK
- Membership Fees not covered by a Gift Aid Declaration cannot be small donations under this scheme
- Cash donations from Companies or Trusts cannot be GASDS
- No benefits can be given to an individual that makes a small donation (only gifts with negligible value such as a lapel sticker are allowed)

Eligibility for claiming GASDS between 6th April 2013 – 5th April 2017

- The charity must have been in existence with HMRC for at least 2 full tax years before the year of claim
- Must have made successful GA claims in 2 of the previous 4 tax years **without** a gap in claims of 2 or more years
- Charity has not incurred an HMRC penalty in respect of GA or GASDS claims in the previous 2 tax years
- GASDS must be claimed within 2 years from the end of the tax year to which the claim relates

Why do we have an eligibility criteria? - A good Gift Aid record assures HMRC that charity has appropriate internal processes in place to operate GASDS correctly.

Eligible small donations (continued)

- Donations made by text message or bank transfers are not eligible.
- Donations made by credit/debit card are not eligible

It isn't always obvious that a donation is £20 or less.

E.G. in a church collection an individual could donate £30 in three £10 notes without the collector realising. Donations will be eligible as long as the managers of the charity/CASC have taken reasonable steps to apply the £20 limit.



HM Revenue
& Customs

Protective marking – Unclassified, Protect, Restricted (delete as required)

The Gift Aid “matching rule”

The amount of GASDS top-up charities can claim also depends on the amount of Gift Aid donations that they have received and successfully claimed on in that tax year. The maximum amount of GASDS top up they can claim is 10 times the total amount of Gift Aid donations claimed on by the charity or CASC in that tax year.

To claim a top-up payment on £8,000 of small donations a Charity or CASC needs to successfully claim Gift Aid on at least £800 of eligible donations in the same tax year.

They can only match GASDS donations to Gift Aid donations received in the same tax year.



Community buildings

What is Community building?

A community building is a building (or part of a building) in which a charity carries out its charitable activities to groups of 10 or more beneficiaries on at least 6 occasions each tax year.

- The beneficiaries must not be charged for access to the part of the community building where the charitable activity takes place
- The charitable activity must also be open to members of the general public (or a section of the public)

The beneficiaries do not need to be the same 10 people each time



Community Buildings

Examples of a Community Buildings are:

- A village hall
- A town hall
- A church
- A School
- A cathedral
- A synagogue
- A mosque etc.
- A Scout hut



Charities do not need to own a building for it to qualify as a community building.

A function room of a hotel could be a community building for a support group if the group met there at least 6 times each year to deliver charitable activities to 10 or more beneficiaries, provided the room was used exclusively by the group.



HM Revenue
& Customs

Protective marking – Unclassified, Protect, Restricted (delete as required)

Community Buildings

A building cannot be a community building if the building (or parts of it) is used wholly or mainly for residential purposes or the sale/supply of goods unless the charity is using part of that building exclusively to carry out a charitable activity.

Two or more buildings on the same or adjacent land are treated as a single building where the same person or organisation holds a freehold or leasehold interest in the land

Examples of buildings which are not community buildings include:

- Priest's House
- Charity Shops
- Vicarage / Manse
- Residential care homes
- A Supermarket



HM Revenue
& Customs

Protective marking – Unclassified, Protect, Restricted (delete as required)

Gift Aid Small Donations collected on or after 6th April 2017

On 6 April 2017 some of the rules for GASDs changed.

Eligibility conditions:

- An eligible Charity or Community Amateur Sports Club (CASC) can claim a top-up payment on small cash or contactless donations under the Gift Aid Small Donation Scheme (GASDS).
- They will need to understand out how much they can claim by reading HMRC's guidance. Factors that can affect the amount they can claim include:
 - The basic rate of income tax (Currently 20%)
 - The total eligible small donations they have collected
 - Any cap on the amount of small donations they can claim on
 - How much Gift Aid they have claimed on; the “matching rule”
 - If the charity or CASC is connected to another charity or CASC



HM Revenue
& Customs

Protective marking – Unclassified, Protect, Restricted (delete as required)

Eligibility conditions (continued):

For claims relating to the 2017/18 tax year and later Charities and CASCs **no longer need to meet the following requirements before they can make a claim for a top-up payment on eligible small donations:**

- Charity or CASC must be registered as a CASC or established as a charity for tax purposes for at least the 2 previous complete tax years
- Charity or CASC must make a successful Gift Aid claim in at least 2 of the previous 4 tax years, and there must not have been a period of 2 or more consecutive complete tax years between those tax years during which it made no successful Gift Aid claims - in practice this means a Gift Aid claim must be made in at least every other tax year



Eligible small donations

- The top-up payment is calculated on the amount of eligible small donations your charity or CASC has collected.
- Eligible small donations are cash or contactless donations made by an individual to a charity or CASC for £20 or less. Donations must be collected in the UK and paid in to a UK bank or building society account kept by the charity.
- Gift Aid and GASDS top-up payments cannot be claimed on the same donation. E.G. GASDS should not be claimed if a charity receives a donation from an individual who has completed a valid Gift Aid declaration that covers the donation.
- “Cash” means notes or coins of any currency.
- Contactless debit or credit card payments will be an acceptable way of making a small donation. This includes mobile phone Apps or other devices.



Community Buildings

From 6 April 2017 charities can no longer claim a top up payment on donations of up to £8,000 per charity plus an additional £8,000 of small donations collected in each community building they operate from.

New rules will apply to all donations collected on or after 6 April 2017.

If your charity has only one community building, it should make a GASDS claim on a maximum of £8,000 of eligible small donations each tax year collected anywhere in the UK.



HM Revenue
& Customs

Protective marking – Unclassified, Protect, Restricted (delete as required)

Community Buildings

If your Parish has 2 or more community buildings:

Parishes & PCCs that have 2 or more community buildings should claim:

- Up to £8,000 top-up payment for each community building.
- This option enables a Parish to claim a GASDS top-up payment on eligible small donations collected in the church & within the same Local Authority area as the community building they are claiming for



HM Revenue
& Customs

Protective marking – Unclassified, Protect, Restricted (delete as required)

Community Buildings

From 6 April 2017 charities claiming under the community building rules can now collect donations at any time, not just during charitable activities, as long as:

- The building qualifies as a community building
- The donations are collected in the same Local Authority area as a qualifying community building
- The charity claims on a maximum of £8,000 of eligible donations per community building

Charities will need to decide which option would be best for each tax year.

If a charity changes its mind part way through the tax year, then it must notify HMRC before it makes any further top-up claims.



“Local Authority Area”

“Local authority area” means:

- In England, a district council, a county council if there is no district council, a London borough council, the Common Council of the City of London or the Council of the Isles of Scilly



“Local Authority Area” (continued)

If a charity has collected eligible small donations in a Local Authority area where the charity has more than one community building they can choose which building to allocate the donations to.

The only exception to this is when donations are collected inside a community building, when they can only allocate these donations to the building they were collected in.

Example - A charity has 3 community buildings in a Local Authority area.

During the tax year the charity collected £15,000 in eligible small donations inside this Local Authority Area.

£4,000 was collected inside of one community building and therefore the charity can only allocate the £4,000 to that particular building. The remaining £11,000 was collected outside of the community buildings and can be allocated to the 3 buildings in any way the charity chooses, as long as the amount allocated to each community building does not exceed £8,000.



Community Buildings

Example: A charity has 3 community buildings which are each in different Local Authority areas. This means that the charity could claim a top up on donations up to £8,000 for each building or £8,000 in total if collecting anywhere inside the UK.

During the tax year it collects:

- £3,000 in the Local Authority area of building A
- £2,000 in the Local Authority area of building B
- £9,000 in the Local Authority area of building C
- £2,500 outside of the Local Authority area. **Total = £16,500**

This charity is better off claiming under the community buildings rules because this allows them to claim a top up on:

- £3,000 in the Local Authority area of building A
- £2,000 in the Local Authority area of building B
- £8,000 in the Local Authority area of building C. **Total = £13,000**

This is £5,000 more than they could have claimed if they had chosen the single £8,000 limit for donations collected anywhere in the UK.



Record Keeping



For contactless donations charities need to keep records that identify how much was collected on each terminal so that they can work out how much was collected in a particular Local Authority area.

They must keep a record of the denomination of all notes received (£5, £10, £20) and exclude all £50 notes

Small cash donations must be banked if the charity or CASC wants to claim a GASDS top-up. If the charity or CASC uses small cash donations to pay for minor expenses, it will only be able to claim on the net amount banked

Some charities provide fundraisers with paying in slips so that they can pay any amounts collected directly into the charity account. The counterfoil receipt which notes the breakdown of the coins and notes collected should then be given to the charity for audit purposes.



Record Keeping (continued)

If a charity wants to claim GASDS top up payments based on amounts collected in a Local Authority Area near a community building they must also keep a record of:

- The address of the community building and a record to show that the building held at least 6 charitable activities for 10 or more beneficiaries to qualify as a community building
- The date(s) that the money was collected
- The location(s) that the money was collected - this should include full address and postcode
- Which community building the donations will be allocated to for the purposes of the GASDS claim

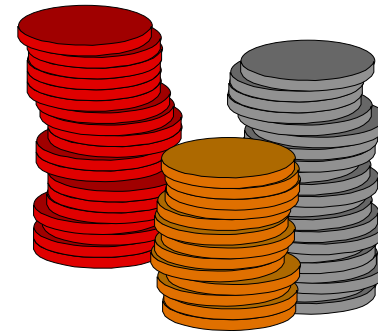


HM Revenue
& Customs

Protective marking – Unclassified, Protect, Restricted (delete as required)

Common Errors for claiming GASDS

- GASDS limit exceeded
- Charities claiming GASDS by accounting period, not tax year
- Entering GASDS on Gift Aid claim schedules
- Not eligible for GASDS
- Duplication of previously claimed Gift Aid when submitting GASDS only claim





HM Revenue
& Customs

Any questions on GASDS?





HM Revenue
& Customs

Thank you

Website: WWW.GOV.UK

Helpline: 0300 123 1073

E-mail: repaymentqueries.charities@hmrc.gsi.gov.uk

VAT case law update

Deloitte

#ctgcardiff

Will Woodlands

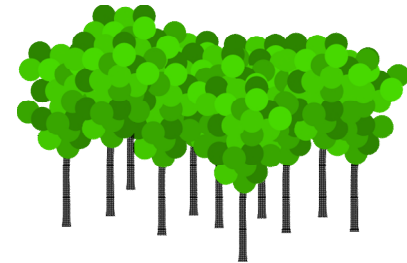
Is charitable motive relevant for VAT recovery?

Background

Will Woodlands is a charity established to create woodlands and manage them as an addition to the country's woodland heritage.

From its four estates it receives various income streams including:

- income from the sale of timber
- grants from DEFRA and the Forestry Commission
- residential lets and agricultural tenancies.



The charity essentially operated the same way as other commercial forestry operations (except for the grants...).

16 years ago, HMRC had agreed that the charity should recover input tax by reference to the area of land involved in each activity.

HMRC Challenge

"the production and sale of timber was not a primary objective of the appellant, but a consequence arising from its charitable (non-business objectives)"

"costs of planting, establishing and maintaining trees are not incurred solely for the eventual business objective of harvesting timber, but also the charitable objectives of heritage, conservation and public enjoyment"

"the link between trees acquired and planted in 2015 with the felling of those specific trees to sell the timber in periods probably ranging between 20 years' time and 150 years' time may be a direct link but it is hardly an immediate link"

Will Woodlands

Is charitable motive relevant for VAT recovery?

FTT Decision – Taxpayer Wins

As per *Longridge, Sveda* and *Durham Cathedral*, the court disregarded the charitable motive and rather focussed on the outputs.

The **objects and aims of the appellant as a charity are irrelevant** to the question. The concept of economic activity is objective in nature.

Art 9.1 PVD '*taxable person*' shall mean any person who, independently, carries out in any place any economic activities, **whatever the purposes or results of that activity**'.

There must be separate activities and outputs of a non-taxable activity before the input VAT must be apportioned.

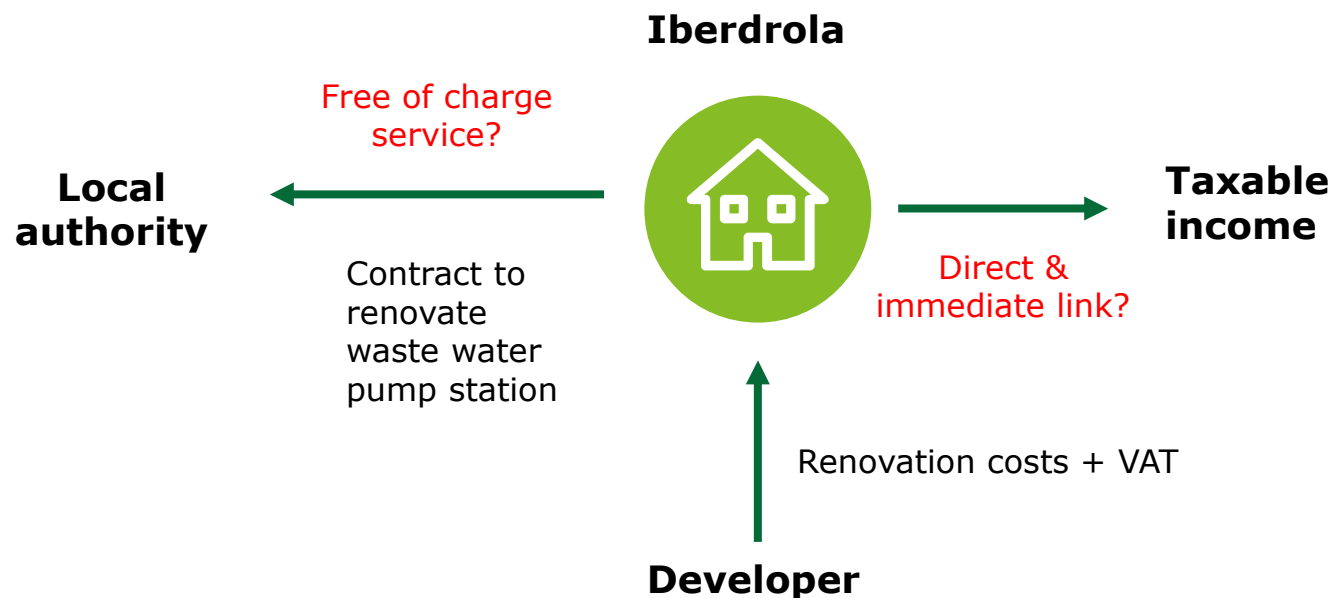
There is no activity being carried in the woodland areas which is not part of the timber operations and there are no costs incurred in relation to those areas which are not costs of those operations.

All costs are attributable exclusively to the appellant's taxable forestry activities and no apportionment is required.

It was also clear to the FTT that 'immediate' cannot mean that there must be a short time between the inputs and related outputs. The trees being purchased are the very trees being sold as timber.

Iberdrola

Services provided free of charge



- **AG's opinion** – insufficient link between inputs and economic outputs
- **CJEU Decision**
 - Without the works it would not be possible to connect and operate the village
 - There is a clear direct and immediate link to taxable supplies
 - The benefit for the local authority does not prevent VAT recovery – there is still a direct and immediate link to a taxable supply
 - Apportionment may be necessary if services went beyond those essential

SAE Education

Eligible bodies

VATA 1994, Sch9, Group 6, Item 1 – The provision of education by an eligible body is exempt from VAT

- An eligible body includes a school, university, college, public body etc.
- Supplies of education by commercial organisations are taxable at the standard rate of VAT

Background

- The taxpayer is a commercial education provider that entered into an agreement with the University of Middlesex to provide education which resulted in the students obtaining a degree from the University
- The taxpayer believed that its supply was exempt from VAT – as it was a supply of education made by an entity that is associated with a University

Decision

- The FTT concluded that the company could be regarded as a college of the University and as a result the supplies of education that it made could be exempted
- The Upper Tribunal overturned this and the Court of Appeal concluded that the Upper Tribunal was correct – the company is not part of the university and therefore the supplies are subject to the standard rate of VAT

CJEU limits scope of 'Cost Sharing Exemption'

For the Cost Sharing Exemption (CSE) to apply, five conditions (tests) should be met:

1. there must be an 'independent group of persons' (the cost sharing group, CSG) supplying the persons who are 'members'
2. each of the members must be engaged in exempt or non-taxable supplies
3. the services supplied by the CSG must be directly necessary for the member's VAT exempt or non-VAT taxable activities
4. the services supplied by the CSG must be exactly reimbursed
5. the application of the exemption must not distort competition.

Aviva & DNB Banka

The CSE only applies to activities which are exempt under Article 132 PVD as being in the public interest, and not to other activities which are exempt under Article 135 PVD. The CSE therefore simply cannot apply to banks and insurance companies.

Article 132	Article 135
Healthcare	Insurance
Welfare, social security, child protection	Financial services
Education and private tuition	Postage stamps
Political and trade union subscriptions	Betting and gaming
Sporting services	Land and property
Cultural services	
Public radio, TV and postal services	

Good news?

- CSE still covers non-business activities
- Social housing?
- Practical barriers?
- Mark up fatal unless TP adjustment only
- Further clarification from CJEU only likely in the context of exemptions in the public interest

Littlewoods

No to compound interest

Supreme Court Decision – Taxpayer Loses

- The only way to get any interest is via the statutory scheme – Parliament did not intend anyone to be able to make common law claims. So all High Court claims lose.
- On whether section 78 simple interest is an effective remedy, the Supreme Court considered the CJEU's requirement in Littlewoods that the taxpayer must get an "adequate indemnity". It said that that phrase "has a less definitive meaning than 'full reimbursement'" and that the French and German versions "can support a range of meanings, including the meaning of "adequate compensation" or "reasonable redress", which are not tied into the idea of full compensation for the time value of money.
- Many member states pay interest on a simple basis, and that if the CJEU wanted to say that was unlawful, it would have done so.
- Therefore **simple interest is a sufficient remedy and is consistent with EU law.**

Ultimate chances of success on the Tribunal route are now minimal (as success would require a reference to the CJEU, and a ruling in favour of taxpayers from the CJEU), and are zero on the High Court route.

Pension scheme costs

Taxpayers may continue to apply the 'old' rules and they may also implement post-PPG options

Background

Following the 2013 judgement in *PPG Holdings BV (PPG)*, HMRC withdrew their previous policy on how VAT incurred on costs relating to funded pension schemes could be recovered, subject to a transitional period.

HMRC have now confirmed that the old rules are no longer withdrawn, and newer 'post-PPG' options will also be available.

This is applicable to any business which has a fund-based pension scheme.

Latest guidance

Increased focus on some elements of old policy – including the requirement that a sponsoring employer seeking to recover VAT on scheme administration services must hold a VAT invoice made out to it.

Post-PPG options are different ways for the sponsoring employer of a pension scheme to meet HMRC's requirement that it contracts and pays for scheme-related services – in order to recover the relevant VAT as its input tax.

These are generally in line with those set out in previous HMRC Briefs, and include:

- tripartite contracts between service provider, employer and scheme trustee(s);
- 'on-supply' arrangements involving the supply of management/administration to the employer by scheme trustees or holding/service companies; and
- the use of VAT grouping.

HMRC have not provided guidance on the accounting and corporate tax implications.

Other charity tax issues

Chris Lane, Charity Tax Group (CTG)

#ctgcardiff

Making Tax Digital

- New digital reporting requirements from HMRC
- Charity exemption from corporation tax reporting
- No charity exemption for VAT reporting if >VAT registration threshold
- No exemptions for trading subsidiaries
- MTD for VAT introduced in Spring 2019
- CTG involved in pilot process and discussions with HMRC

Making Tax Digital

- Records kept in electronic format including any adjustments made
- Each step in the accounting process after inputting source data must be digitally managed – data transfer by digital links
- Will require third party software – no HMRC/free solution
- HMRC digitally examine 9-Box VAT return data, but not underlying data. HMRC to encourage voluntary disclosure of additional material
- Later HMRC will sense-check data & query any anomalous info

VAT reform

- VAT system will need to adapt post-Brexit, although many things will stay the same (including case law)
- Opportunity for charity sector to push for new zero rates, while aiming to protect present rates
- EU Commission also making separate proposal for modernised system of setting VAT rates & e-books
- OTS VAT Review recommends review of VAT registration threshold, VAT rates/exemptions & administration

Business Rates

- **Wales:** 2012/13 review proposed reduction in charity shop relief to 50%, but thankfully dropped
- **Scotland:** Barclay Review protects status of charity shops but suggests removal of relief from independent schools, ALEOs & Uni buildings let for commercial use outside term-time
- **England:** Charity rates relief protected as part of Business Rates Review but discretionary rate relief under pressure. York Museums case interesting development
- **NI:** Proposal to reduce rate relief for charity shops to 80%

Other Giving issues

- “Goneaways”
- Gift Aid on text donations – audit trail
- Facebook donate
- Retail Gift Aid
- HMRC working groups on the future of Gift Aid and Gift Aid donor benefits

Other issues

- VAT guidance on grants/contracts & Sponsorship
- Apprenticeship Levy
- HMRC Trusts Register
- Corporate Criminal Offences
- Budget - 22 November 2017: Employer-provided living accommodation? Community Infrastructure Levy?
- Living Legacies

Questions?

#ctgcardiff

Charity Tax Group

- For more information or to register for the CTG newsletter contact us at:
 - 020 7222 1265
 - info@charitytaxgroup.org.uk
 - www.charitytaxgroup.org.uk
 - @CharityTaxGroup
- Support CTG in 2018!