

# Extending our reach

Annual Review  
2016-17



## Extending our reach



**For many people and organisations across the country, this year has been characterised by uncertainty. Since the result of the EU referendum in June 2016, a great deal has been said about Brexit and what it means but very little is definite.**

Through the numerous challenges that charities continue to face, whether at a national or international level, CTG's priority has remained to work for an improvement in their tax position to help them cope – and 2016 has been a year to be proud of! I hope this Review will serve to give a flavour of the increasing extent of our work – both in terms of the topics that we look to tackle and in terms of the charities and areas that we represent.

The value of our work continues to be recognised by the Government, with CTG having already being consulted by senior HMRC and HM Treasury officials to discuss the process of Brexit and the importance of protecting valuable existing reliefs. I was pleased to meet the new Minister responsible for charity tax to continue this conversation and I am delighted that she is addressing our conference this year.

I am particularly proud of the hard work we have done in a number of other areas. In 2016, CTG secured provisional agreement for an exemption for charitable companies from a new 45% corporation tax rate on amounts taxed as restitution interest. We spearheaded the campaign to secure changes to GASDS through what is now the Small Charitable Donations and Childcare Payments Act 2017, resulting in the removal of the Gift Aid history requirement and the extension of the Gift Aid Small Donations Scheme to contactless payments. This simplification should see a significant number of charities – particularly smaller ones – begin to benefit from this relief.

Looking forward, CTG is working with HMRC on revised VAT guidance for grants, contracts and sponsorship, which we hope to see published in the near future. We will also be joining forces once again with the Charities' Property Association and the Churches' Legislation Advisory Service to make the argument for maintaining the charitable exemption from whatever may be suggested as a replacement for the Community Infrastructure Levy.

In this Review, we have also taken the opportunity to highlight some of the key facts and figures from the first year of our new website. With almost 1,000 accounts opened since its launch, the website and its integrated Charity Tax Map are enabling hundreds more charities to access the specific guidance they need to understand an increasingly complicated tax system. I am delighted that our investment in this new website has started to make such a difference to our sector.

My thanks go once again to Graham Elliott, CTG's technical adviser, and to the new members of our Management Committee – they join a volunteer team that provides extensive support and expertise to the organisation. I would also like to thank you, our charity and Observer members, for your input and support. CTG could not operate without the donations of its members and would certainly not be celebrating 35 years promoting the voice of the sector on tax issues were it not for the strength that comes from charities working together and continuing to engage on tax.

I look forward to continuing to work with all of you over the coming year.

A handwritten signature in black ink, appearing to read 'John Hemming'.

John Hemming, Chairman

# Old challenges... new challenges

**When the Charity Tax Group – originally the VAT Reform Group – was set up in 1982, none of its founding members could have imagined that the UK might one day vote to leave the EU. Now, as CTG celebrates its 35th Anniversary and the EU its 60th, that is precisely what is happening.**



Obviously, this decision has huge implications both for the UK and the rest of the EU and for the businesses, charities and other organisations based here. But it also has significant implications for the work of CTG: what does Brexit mean for the indirect tax regime that caused our organisation to be formed in the first place? While CTG now covers the full range of taxes that affect charities, improving the VAT system was the reason that we were originally founded.

Now faced with Brexit, the VAT system is the area for which there are the clearest opportunities for change: having left the EU, the UK Government will essentially receive a blank slate on which it could design an entirely different system if it wanted to. We do not believe that a wholesale change is likely – particularly not in the short term – but it is clear that CTG will need to be ready to protect existing charity reliefs, as well to take this unique opportunity to call for new ones. The challenges that we faced at our inception, are challenges that we will now face again.

The VAT system is not inherently bad. Indeed, while it was not created with charities directly in mind, it certainly had a level of charitable intent by identifying classes of consumer and goods and services which should be exempted from VAT (the Social Exemptions). However, the system is clumsy as it is dependent on unilateral agreement as to who and what should get relief, the goods or services cannot be provided for free to the consumer and, even then, full relief is not achieved as VAT is still an embedded cost at some point along the supply chain.

To date the UK solution has always been found outside of the EU VAT Directive in the form of zero-rating (a derogation from the Directive) and refund schemes. CTG is proud of the concessions that it has secured over the years but the system itself has been almost impossible to modify – we have been working with charities across Europe, the European Parliament and the European Commission over the past 30 years to highlight the structural deficiencies in the VAT system – and

these have been acknowledged widely. The difficulty is to get the approval of 28 different Member States for measures that would improve the position and save the £1.5 billion of irrecoverable VAT that the UK charity sector pays each year. Each country has its own priorities in what should be eligible for particular reliefs and the size and scope of the UK charity sector is not replicated in many other EU countries. Our struggle has been to find ways of making sure that the system does not penalise those whose activity is for the benefit of others.

***"I would like to congratulate the CTG on the new format of the newsletter. It is timely, informative, succinct with very clear commentary. I feel it keeps me abreast of the key tax developments taking place and I particularly like the commentary on important legal cases."***

*David Arkinstall, Finance Adviser, The National Trust*

For all the problems that it will bring, Brexit may in fact be the best opportunity we have to solve the VAT problems facing charities. Exiting the EU gives the Government an important opportunity to change the way things work. But we also have to make sure that we protect our current VAT zero-rates, which are of crucial importance to the sector as are the social exemptions. The future of cross-border philanthropy and associated tax reliefs also needs to be considered, as well as the implications of any lost European grant funding on the financial sustainability of the sector.

Our job, then, is to make sure that the Government keeps these things in mind during future negotiations. We are in the process of preparing a detailed submission outlining the charity tax implications of Brexit, including the value of existing reliefs and exemptions, as well as a series of costed, pragmatic and proportionate policy proposals to improve the current tax system. Our role as the voice of charities on tax is more vital than ever.

# Helping you help yourself

**Our Annual Review for 2012 documented the work of CTG since it was set up in 1982, highlighting our successes over that time. As we celebrate our 35th anniversary, we thought it would be helpful to consider what we have achieved over the last five years.**

Our main focus over recent years has been to give charities the support they need to help themselves, in an otherwise unhelpful environment. We have done this by pushing for the simplification of legislation to see more charities benefit

and by calling on the Government to improve the quality and scope of its available guidance. With the support of the Nuffield Foundation and charity members, we have also invested heavily in updating the Charity Tax Map and

making it available online through our new website. We have also met a total of six Ministers responsible for charity taxation as well as numerous HMRC, HM Treasury, Cabinet Office and European Commission officials.

Further details about the new website and our work last year can be found elsewhere in the review, but here are some of the other major milestones during this period.

## 2012

- CTG gives expert advice to Commons Public Bill Committee on the new Gift Aid Small Donations Scheme (GASDS), securing much improved eligibility requirements
- CTG, through ECCVAT, is granted Observer status on the new European Commission VAT Expert Group, and is invited to present the case for VAT reform for charities at a major Commission Conference
- Government proposal to introduce a cap on tax reliefs for charitable gifts is reversed
- VAT zero rating on listed buildings removed, but CTG helps to secure improved transitional rules
- After a seven-year campaign led by CTG, the VAT cost-sharing exemption is finally introduced into UK law
- CTG helps to mitigate the impact on charities of VAT being imposed on Royal Mail bulk mailings, by identifying alternative arrangements such as Downstream Access (DSA)

## 2013

- For the launch of Charities Online, CTG runs a series of information events across the country in conjunction with HMRC, securing a six-month transition period for charities and helping to chase unpaid claims
- Government *Fair Playing Field Review* recommends VAT refunds schemes for certain charities
- CTG secures European Commission confirmation that there is no legal obstacle to a national VAT refund scheme for charities
- BUFDG and CTG secure short term protections for charities following the removal of VAT exemption on research
- CTG's response to the Gift Aid and Digital Giving review lays the foundations for reforms to Gift Aid donor benefits and new rules for intermediaries

## 2014

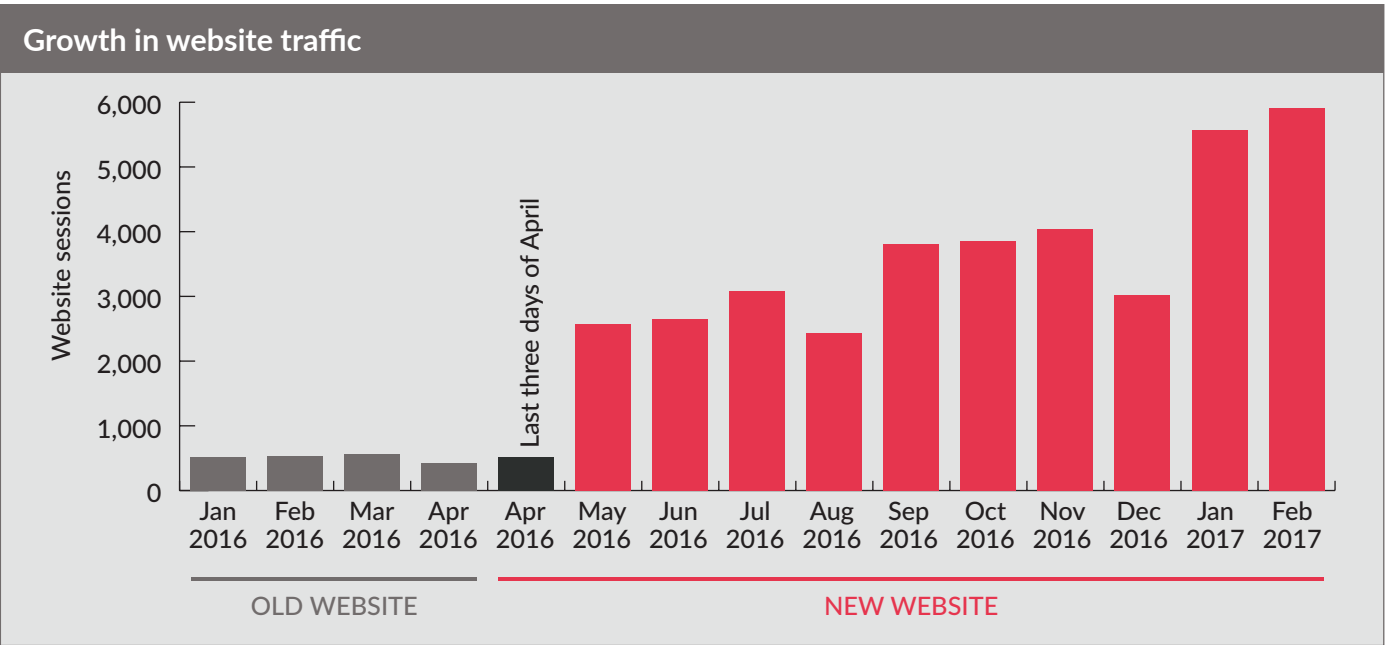
- CTG provides strategic and technical support to the successful campaigns to introduce VAT refunds for search and rescue charities, air ambulances and hospices
- CTG working group persuades HMRC to drop proposal for a new unnecessary definition of charity for tax purposes
- Retail relief (including for charity shops) is introduced as CTG clarifies the State Aid position following counsel's opinion
- HMRC policy on the VAT treatment of direct mailing changes and HMRC agrees to postpone the start date of new VAT arrangements by six months and not take retrospective action following representations from CTG
- CTG launches its regional meeting programme with events in Birmingham, Edinburgh, Ipswich, Leeds, Manchester and York

## 2015

- Working with HMRC, CTG plays a key role in securing important simplifications to the Gift Aid Declaration, including the removal of unnecessary references to council tax and VAT
- CTG secures Ministerial confirmation that mandatory business rates relief (worth over £1.5bn in England) would be protected as part of the Government's Business Rates Retention scheme
- CTG obtains charity exemptions from the Diverted Profits Tax and the close company loans to participators rules, having identified that charities would be caught inadvertently by the legislation. Both exemptions save the sector a potential bill of millions of pounds
- CTG works with charity shop representatives and HMRC to rewrite and simplify the Retail Gift Aid guidance
- Retrospective concession for VAT and direct mail extended by a further five months as CTG helps to shape guidance and clarifies position of data correction



# Making CTG Digital



### Old website in numbers

**21,208**  
total page views

**7,131**  
individual website sessions

**66** most sessions  
in a single day

### New website in numbers

**72,500**  
total page views

**36,500**  
individual website sessions

**367** most sessions  
in a single day

Gradual **increase** in  
the number of sessions  
each month:  
**2,500** in May 2016 to  
**4,000** in November 2016

**Second spike**  
in 2017 sees almost  
**6,000 sessions**  
each month so far

### Website in numbers

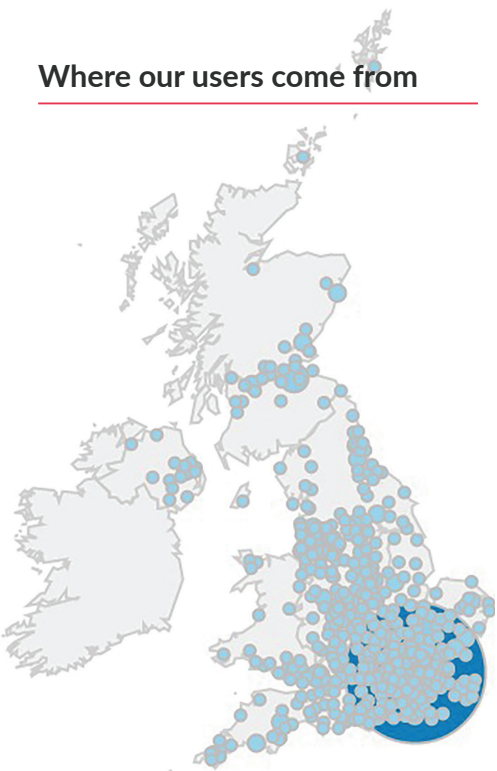
**1,800**  
document  
downloads

**962**  
website accounts  
opened

**230**  
posts by CTG  
(at least 1 new post  
every working day)

**1** Average  
number of  
newsletters  
sent out  
every week

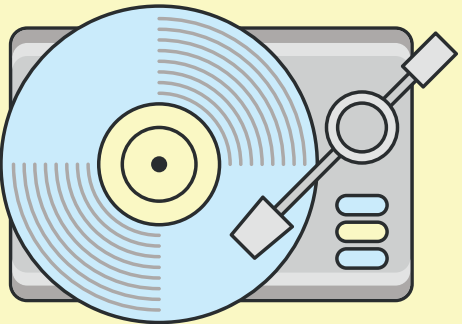
### Where our users come from



*"Recommendations in the comments section on the CTG website helped me to find software to submit our first charity trading subsidiary return, that was both effective and cheaper than alternatives quoted by our auditors".*

Chris Evans, Finance Officer, London  
Cycling Campaign

## TOP 10 WEBSITE PAGES



- 1** Donations and Grants – VAT treatment  
Tax Map page
- 2** Off-payroll working: Major changes from April 2017  
Commentary
- 3** VAT  
Tax Map page
- 4** Longridge on Thames VAT case – implications for charities  
Commentary
- 5** HMRC publishes specific guidance for charities on the Common Reporting Standard  
News item
- 6** Common Reporting Standard  
Tax Map page
- 7** Apprenticeship Levy  
Tax Map page
- 8** CTG Annual Tax Conference 2017  
Event page
- 9** Feedback from HMRC's Charities Outreach team  
News item
- 10** Donations and Gift Aid  
Tax Map page

### Where our users go

#### Most popular click throughs to external website

- 1** HMRC Manual on VAT Supply and Consideration
- 2** HMRC Manual on Automatic Exchange of Information (AEOI)
- 3** HMRC guidance on Gift Aid and charity auctions
- 4** HMRC guidance on the ChV1 change of details form
- 5** HMRC guidance on Gift Aid and membership subscriptions
- 6** HMRC guidance on Common Reporting Standard for charities
- 7** Life Services Ltd VAT case judgment on BAILII
- 8** HMRC Manual on VAT Business/ Non-Business
- 9** HMRC VAT Notice 701/1: Charities
- 10** HMRC VAT Notice 742A: opting to tax land and buildings

## 9 OF OUR TOP 10

**CLICK-THROUGHs** go to HMRC guidance: proof that the Charity Tax Map is doing exactly what it was set up to do, and is making it easier for charities to find the guidance they need.



# Our work in 2016

## Gift Aid

- **Practical issues working group:** CTG now manages a forum of over 40 Gift Aid managers, at which they are able to discuss practical Gift Aid issues including claiming processes, donor eligibility and education, Retail Gift Aid and interactions with intermediaries. The group has already established itself as an important sounding board for HMRC officials and provides a strong platform for representing the charity sector's interests to the Government in respect of Gift Aid.
- **Small Donations Scheme:** CTG's proposals to simplify the Gift Aid history eligibility requirement and extend the Scheme to include contactless donations were accepted as part of the Small Charitable Donations and Childcare Payments Act 2017. We are hopeful this will improve accessibility to the Scheme and overall take-up, particularly among smaller charities, as well as helping to future-proof it.
- **Donor Benefits rules:** CTG called for the introduction of a two-threshold system, without a disregard for low-value items, as the most practical and equitable reform option for charities and secured a commitment from Government that it would create a dedicated working group which would be tasked with producing more accessible guidance and with resolving uncertainties relating to the "in consequence rule" and the valuation of benefits.

*"Being part of the Gift Aid practical issues working group has supported me in my role as Gift Aid Manager for the RSPCA. We have shared our common concerns and raised queries regarding Gift Aid procedures and agreed on good working practices. Through the CTG the group has an excellent working relationship with the HMRC Charity Team and are able to conduct open and frank discussions about Gift Aid issues."*

Peter Honiball, Gift Aid Manager, RSPCA

## Charity Exemptions and Reliefs

- **Making Tax Digital:** CTG made a successful case to Government for charities to be exempt from these new reporting requirements although we await further details on how this will work in practice. CTG had hoped that charity trading subsidiaries would also be exempt due to concerns about complexity and potential duplication and will be calling for some form of transitional period, provision of free or subsidised software, and consideration of a size threshold to protect smaller organisations.
- **Common Reporting Standard:** CTG highlighted to HMRC officials that this international anti-tax avoidance measure would have significant adverse implications for the sector and was able to secure an exemption for charitable companies and a more proportionate system for charitable trusts.
- **Employer provided living accommodation:** At HMRC's request, CTG briefed officials on the ongoing value, importance and relevance of retaining the exemption for charity employees in advance of a consultation on its future in March 2017.
- **Insurance Premium Tax:** CTG undertook a detailed survey of members, which found that the proposed IPT increase to 12% would cost charities millions of pounds. CTG has called on the Government to commit to a review of the current IPT burden faced by charities to assess whether a total or targeted exemption or a reduced rate would be achievable.
- **Community Infrastructure Levy:** CTG responded to a Review on the future of CIL, highlighting the importance of the charity exemption. It has since been recommended that CIL be replaced and CTG will be making a strong case for a charity exemption from any successor tax.

## Employment taxes

- **Apprenticeship Levy:** CTG has continued to work with charities to help them maximise the use of their contributions and avoid it becoming simply another payroll tax. Following representations by CTG and others, HMRC agreed to simplify the connected charities rules, ensuring that connected charities can share their Levy allowance. CTG also continues to call for volunteer training costs to be eligible for Apprenticeship Levy funding and for charities to be able to re-allocate a greater proportion of their unspent credit to other charities.

## VAT

- **Brexit:** CTG is working closely with its charity members to prepare a detailed submission outlining the charity tax implications of Brexit, including the value of existing reliefs and exemptions, as well as a series of costed, pragmatic and proportionate policy proposals to improve the current tax system.
- **European Commission review of VAT rates:** CTG is liaising with the members of ECCVAT to agree a joint response, as changes to the EU VAT system may be replicated in a post-Brexit VAT system in the UK.
- **VAT treatment of grants and contracts and sponsorship:** CTG's VAT Expert Group has continued to work with HMRC officials to update the current guidance on these important practical issues.
- **Recent case law:** CTG has continued to assess the implications of UK and EU case law on issues including temporary workers, VAT exemptions and business/non-business considerations, keeping an eye out for any opportunities or threats for charities.

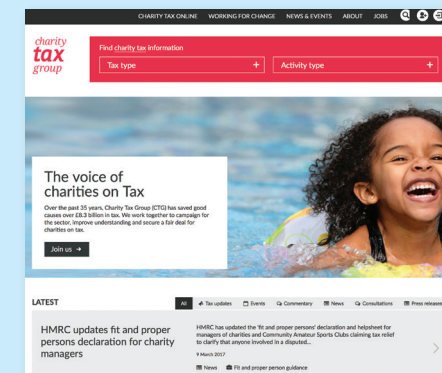
# Benefits to members

## Representation



- CTG is represented on HMRC's Charity Tax Forum and on HMRC technical working groups and has a strong working relationship with officials at both HMRC and HM Treasury
- We run working groups and seminars, to which officials are often invited, providing the charity sector with a forum for frank and open discussion with Government
- All the Management Committee members have day-to-day practical tax experience

## CTG online



- CTG offers members free access to its website, centred on an online portal for its highly-valued Charity Tax Map, which details both the taxes that charities pay and the reliefs to which they are entitled
- Members can use the website to keep up to date with meetings, consultations and the latest legislative, policy and case law updates
- Sector experts regularly publish commentaries on specific areas of charity tax, offering members a chance to be part of the discussion and to see how these theoretical issues are worked out in practice

## Charity Tax Helpline

- Run by prominent tax experts working in the charity sector, this free service has helped numerous charities resolve complicated tax queries in the past year
- These queries keep us informed of the issues that matter most to our members, helping ensure that the topics we keep an eye on are always relevant

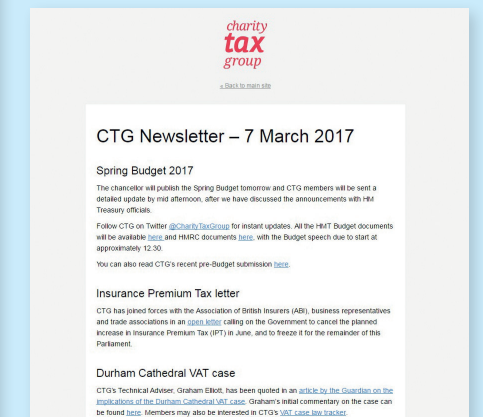
## Meetings

- We hold an annual Tax Conference which benefits from high-profile speakers, including Treasury Ministers



- CTG regularly holds topical seminars for Members, often with HMRC participation
- CTG organises sector-wide technical working groups on topical direct and indirect tax issues
- In 2017, CTG is planning to continue its outreach by providing policy and practical updates for charities across the UK


## Newsletter




- Our regular newsletter on charity tax developments ensures that you are up-to-date both on the issues and the representations that CTG is making on your behalf
- The newsletter also includes a regular Consultation tracker, helping you identify when you need to make representations
- Our VAT case law tracker provides members with updates and analysis of the latest judgments, which may have a bearing on problems your organisation is facing
- Charities can also follow developments as they break on our Twitter feed @CharityTaxGroup




# Management Committee 2016-17




**John Hemming**  
CTG Chairman  
Head of Tax,  
Wellcome Trust




**Kevin Russell**  
CTG Vice-Chairman  
Technical Director,  
Stewardship



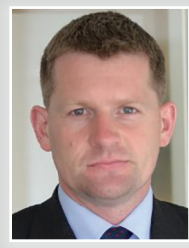
**Richard Bray**  
CTG Vice-Chairman  
Finance Regulatory  
and Taxes Manager,  
Cancer Research UK




**Karen Atkinson**  
Head of Charity  
& Social Investment  
Finance, City of  
London Corporation




**Justin Bevan**  
Gift Aid & Tax  
Manager, Oxfam




**Philip Hayes**  
VAT Manager,  
University  
of Oxford




**Philip Spedding**  
Director of  
Development,  
London Library




**Darren Spivey**  
Head of Corporate  
Finance, RNLI




CO-OPTED IN 2016:  
**Polly Dickinson**  
Business Manager,  
Anaphylaxis  
Campaign




CO-OPTED IN 2016:  
**Favaad Iqbal**  
Indirect Taxes  
Manager, Cambridge  
Assessment




CO-OPTED IN 2016:  
**Monica Varriale**  
Chief Financial  
Officer, Serpentine  
Galleries




TECHNICAL ADVISER:  
**Graham Elliott**  
Director, City  
and Cambridge  
Consultancy



ADVISER:  
**John Crowther**  
CTG Treasurer  
Retired Charity  
Finance Director



ADVISER:  
**Ruchir Shah**  
Head of Policy,  
Scottish Council  
for Voluntary  
Organisations



ADVISER:  
**David Warrellow**  
Tax Manager,  
National Trust

The time, expertise and practical support provided by our Management Committee, Charity and Observer Members is substantial. This huge voluntary commitment, estimated at over 2,500 hours in 2016, is an invaluable part of the work of CTG and is what allows us to have the level of influence that our comparatively small organisation exerts.

# 2016 Conference








*“Expertise and advice from the Charity Tax Group was invaluable in helping to develop AMRC’s ask that the Government extend the principles of R&D tax credit policies as a tool to drive medical research charity investment.”*

*Dr Cat Ball, Policy Manager, Association of Medical Research Charities*



---

The Charity Tax Group (CTG) was set up in 1982 and has dedicated the last 35 years to improving the tax position of charities and campaigning on the key issues affecting the sector.

CTG continues to press the Government to introduce new tax reliefs as well as successfully campaigning to protect existing concessions, saving charities many millions of pounds.

CTG is the only organisation to work exclusively on tax issues affecting charities and is funded entirely by donations from charities and subscriptions from charity advisers. Without your support, this important work will not be done.

---

## MEMBERSHIP

*Charities are asked to make a donation to cover the costs of our campaigning work. Please give as much as you can to help us achieve a fairer, simplified tax deal for all charities. Professional members pay a fixed subscription dependent on size and location.*

For further information about becoming a member of CTG please contact us on **020 7222 1265** or at **[info@charitytaxgroup.org.uk](mailto:info@charitytaxgroup.org.uk)**.

Alternatively, visit our website **[www.charitytaxgroup.org.uk](http://www.charitytaxgroup.org.uk)** or follow us on Twitter **[@CharityTaxGroup](https://twitter.com/CharityTaxGroup)**

---