

Making Charity Tax DIGITAL

Annual Review
2017-18

Our Website Statistics



74%

increase
on total page
views



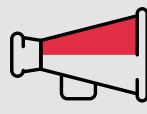
Over
1,000

document
downloads



345

new website
accounts
opened



27

expert
commentaries



230

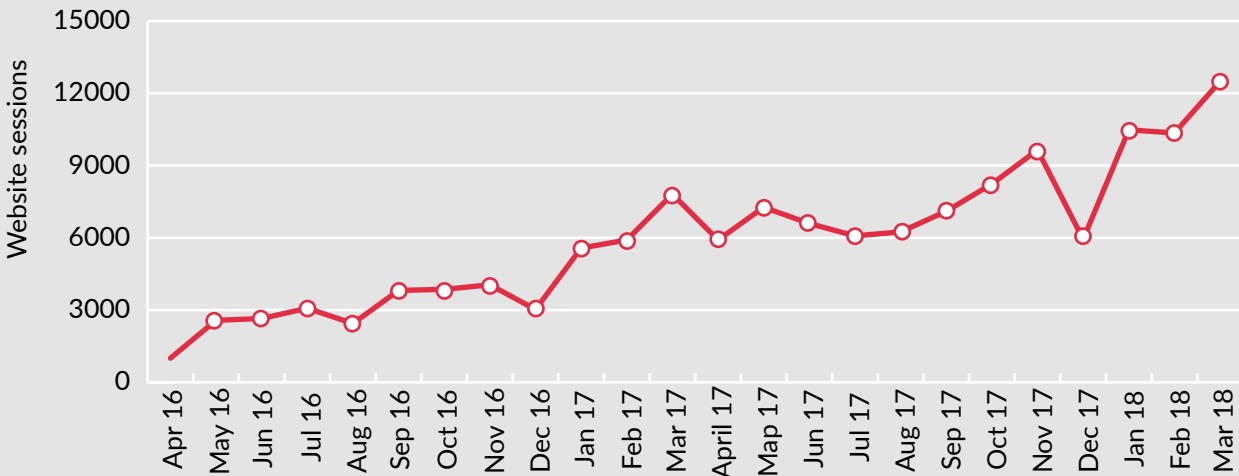
new posts
by CTG



88

newsletters
sent – around
1 every 4 days

GROWTH IN CTG WEBSITE TRAFFIC



CTG'S WEBSITE DIRECTS CHARITIES AND ADVISERS TO THE HMRC GUIDANCE THEY NEED

Most visited website page

- 1 Donations and grants – VAT treatment
- 2 Off-payroll working: Major changes from April 2017
- 3 Company Tax Return (CT600) 2017 guide published
- 4 Raffles and auctions – Gift Aid
- 5 Membership subscriptions – Gift Aid
- 6 Corporate Gift Aid
- 7 HMRC publishes charity-specific guidance on CRS
- 8 Common Reporting Standard
- 9 Education and vocational training – VAT exemption
- 10 Membership subscriptions – VAT

Top outbound links

- 1 HMRC Manual on VAT for grants and contracts
- 2 HMRC guidance on Company Tax Return
- 3 HMRC Gift Aid for Companies guidance
- 4 HMRC VAT Notice on education
- 5 HMRC Gift Aid guidance on charity auctions
- 6 HMRC Gift Aid guidance on Membership Subscriptions
- 7 HMRC VAT Notice on Clubs and Associations
- 8 HMRC guidance on Automatic Exchange of Information
- 9 HMRC guidance on Capital Gains Tax relief for gifts
- 10 HMRC VAT Notice on charity advertising

Making Charity Tax Digital



While we all continue to grapple with the uncertainties of what Brexit will mean for the tax system, one thing is certain – the future is digital. Charities can sometimes be slow to adapt to digital innovation (and they are not alone), but change is afoot, particularly in terms of the way they advertise, fundraise and operate internal systems. Much of our recent work (as highlighted in this Annual Review) and going forward is focused on the digitisation of the system and identifying areas where taxes need to develop and evolve to ensure they keep pace with technological developments.

HMRC is taking the lead with the introduction of Making Tax Digital, a huge undertaking to automate and digitise VAT reporting on a quarterly basis. There will be no exemptions for charities or their trading subsidiaries (at least for VAT) unless they fall under the VAT registration threshold and, given the system will be live in April 2019, charities need to start preparing now and talking to software providers. We continue to work closely with HMRC to ask the thorny questions about how the reporting mechanisms will work in practice, what information will be required and how information will need to be digitally linked and stored.

Charities are increasingly fundraising online or using new payment mechanisms, but this has raised issues that had not been considered before in the context of traditional offline fundraising techniques. To their credit, the Government last year extended the Gift Aid Small Donations Scheme to contactless donations, but there remain a number of other future digital challenges for giving and Gift Aid, likely to be complicated further by new data protection responsibilities under GDPR. Following concerns that donors were not sufficiently informed about which types of donations are eligible for Gift Aid, CTG has been working with HMRC to introduce new donor education materials for online fundraising platforms. Our Gift Aid working group is at the forefront of this initiative and working hard to ensure that there is an improved understanding of how Gift Aid works and the benefits it brings to charities.

We also have serious concerns that charities advertising through third party online platforms, including social media, may find that the charity zero rating does not apply if the users of those channels are deemed to have been selected. This is symptomatic of wider concerns that the VAT system is not keeping up with digital developments, with old rigid legislation lacking the flexibility to adapt and evolve, and that it thereby loses sight of policy objectives. The European Commission is making steps in the right direction with proposals to equate the VAT treatment e-books with paper books and we will be continuing to call on the Government for a review of VAT legislation to ensure that it keeps pace with technological developments and fundraising practice. If not, valuable reliefs risk being diluted and undermined.

Lastly, it has been excellent to see how well CTG's foray into the digital future has been received. The extensive summaries of taxes relevant to charities have proved a valuable resource for the sector and users and visits to the website have increased with an incredible 11,000 more monthly page views in March 2018 than when the website was launched in May 2016.

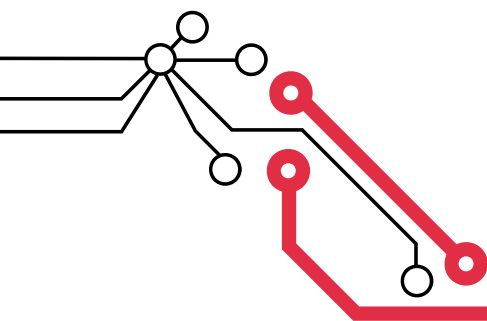
My thanks go once again to Graham Elliott, CTG's technical adviser, and our volunteer Management Committee – together they provide extensive support and expertise to the organisation. I would also like to thank you, our charity and Observer members, for your input and support – CTG could not make the same impact without it.

I look forward to continuing this digital journey with all of you over the coming year.

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

John Hemming, Chairman

Gift Aid Practical Issues Working Group



In 2016/17 £1.27bn of Gift Aid was claimed by 72,000 charities. By any measure Gift Aid is vital to charities. And so inevitably CTG's policy work is focused on ensuring that the Gift Aid system works as well as possible for charities, with the aim that legislation should keep up with technological change and new fundraising practices.



CTG recognises that it needs to be informed by those in charities who operate the scheme. For this reason, CTG formed the Gift Aid practical issues working group in 2015. It now works with over 50 charities, providing a forum in which charities can share practical advice, highlight examples of best practice and discuss their experience of dealing with HMRC. Meetings take place quarterly with regular e-mail contact between group members on any emerging issues.

In the past year, the group has been a valuable sounding board for HMRC on Gift Aid issues. In particular, the group has been working with HMRC's Charities Outreach team on how charities can improve donor education about which fundraising donations qualify for Gift Aid.

Steve Carroll, from the HMRC Outreach team has told us: "I have found the meetings the ideal platform for me to roll out important changes in respect of the new donor education programme. I have always received invaluable input both at the meetings themselves and via e-mail in

respect of ongoing issues and would like to thank the group for their proactive approach in supporting HMRC in raising public awareness on key issues."

Working group members are also well represented on three different HMRC working groups. These groups have been set up to ensure that Gift Aid is fit for the modern age, considering how best to promote Gift Aid, the implications of the General Data Protection Regulation (GDPR) and the future for enduring Gift Aid declarations. CTG has also been asked to co-ordinate a sector-led review of the available donor benefits guidance. This we hope will clarify the thorny issues of the "in consequence" rule and the valuation of donor benefits.

The group has gone from strength to strength, achieving much more than I could have ever expected. I would encourage other charities to share in the benefits of group membership by joining the mailing list and attending a meeting this year.

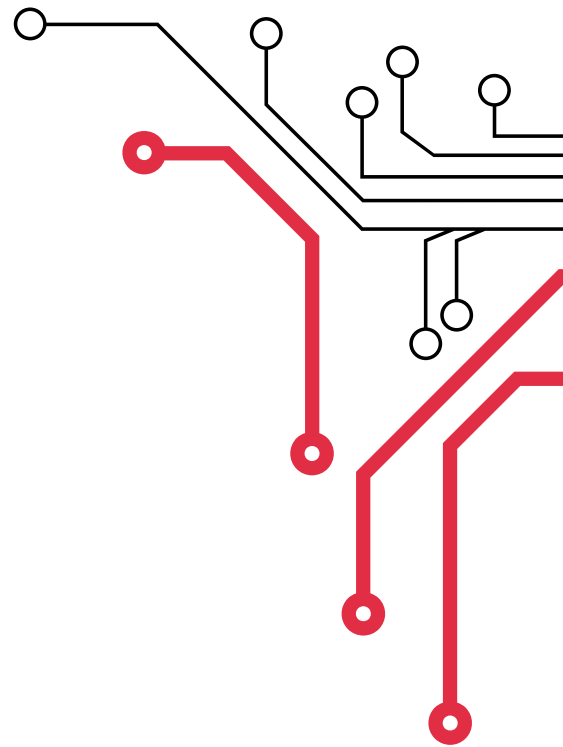
Richard Bray, Chair of the Gift Aid practical issues working group

"It has been a huge advantage to be able to consult with colleagues across the charity sector and share best practice. CTG are at the forefront of tax related development across the charity sector, influencing change for our advantage"

KEREN CAIRD, SUE RYDER CARE



VAT & Property Taxes



Making Tax Digital (MTD): MTD will be the biggest change in VAT compliance for a generation. CTG has been at the forefront in clarifying how the new requirements will apply from April 2019. This has resulted in HMRC gaining a greater understanding of key practical issues facing charities in meeting the new requirements. Already our work has had an impact. We will continue to speak with HMRC to ensure that MTD is practical to implement, with affordable software solutions, and easily accessible guidance materials. This is critical given the very tight timetable for the implementation of MTD.

Brexit: There remains immense uncertainty about the VAT system after Brexit. CTG is working on a detailed submission for Government outlining what the VAT implications of leaving the EU might be. This will highlight the opportunities and threats of Brexit for charities. It cannot be assumed that charities will be treated well. As a result, CTG believes that charities need to argue their case through a series of carefully costed, pragmatic and proportionate policy proposals, highlighting the significant value of existing charity VAT reliefs and exemptions.

VAT guidance: This year HMRC finally published its long-awaited guidance on the VAT treatment of grants and contracts. CTG has provided informed commentary on this which is available on the CTG website. We have provided further feedback to HMRC on the guidance as it is of great interest to charities and the area is a very complex and difficult one. CTG will also comment on new draft sponsorship guidance when it is published.

VAT reform: CTG's mission is to see a system of VAT that is fit for purpose for charities. This year CTG has responded to the Office of Tax Simplification (OTS)'s Review of VAT, highlighting practical and structural reforms, which would address long standing issues for charities with the VAT system. For its part the OTS has recommended that the Government undertake a comprehensive review of key aspects of the VAT system affecting charities. This includes reviewing VAT zero rates and exemptions and the VAT registration threshold. The charity case needs to be argued for strongly. CTG will do this and continue to seek the future-proofing of VAT reliefs so that they keep up with technological changes, particularly in respect of electronic communications and online advertising.

Business rates: This year CTG has established a business rates working group. Its purpose is to allow charities to share their experiences with local authorities and monitor important developments, including the opportunities that recent case law may have to reduce some charities' rates bills.

Community Infrastructure Levy (CIL): CTG expressed concern at proposals to replace CIL with a new tariff that would have "no or few" exemptions, risking the existing protections for charities. Following action by CTG, the Government has proposed retaining CIL and has promised that any supplementary tariffs will have protections for charities.

Management Committee 2017-18



John Hemming
Chairman
Head of Tax,
Wellcome Trust



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



Kevin Russell
Vice-Chairman
Technical Director,
Stewardship



Polly Dickinson
Acting Vice-Chairman
Business Manager,
Anaphylaxis
Campaign



Karen Atkinson
CTG Treasurer
Head of Charity &
Social Investment
Finance, Bridge
House Estates



Justin Bevan
Gift Aid & Tax
Manager, Oxfam



Philip Hayes
Associate Director of
Tax, University of
London



Favaad Iqbal
Indirect Taxes
Manager, Cambridge
Assessment



Philip Spedding
Director of
Development,
London Library



Darren Spivey
Head of Corporate
Finance, RNLI



Monica Varriale
Chief Financial
Officer, Serpentine
Galleries



TECHNICAL ADVISER:
Graham Elliott
Director, City and
Cambridge
Consultancy



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



ADVISER:
Jenny Bloomfield
Policy Officer,
Scottish Council
for Voluntary
Organisations



ADVISER:
David Warrellow
Tax Manager,
National Trust

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.

Charity Tax Online

- CTG offers members free access to its website, centred on an online portal for its highly-valued analysis of charity taxes, 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.

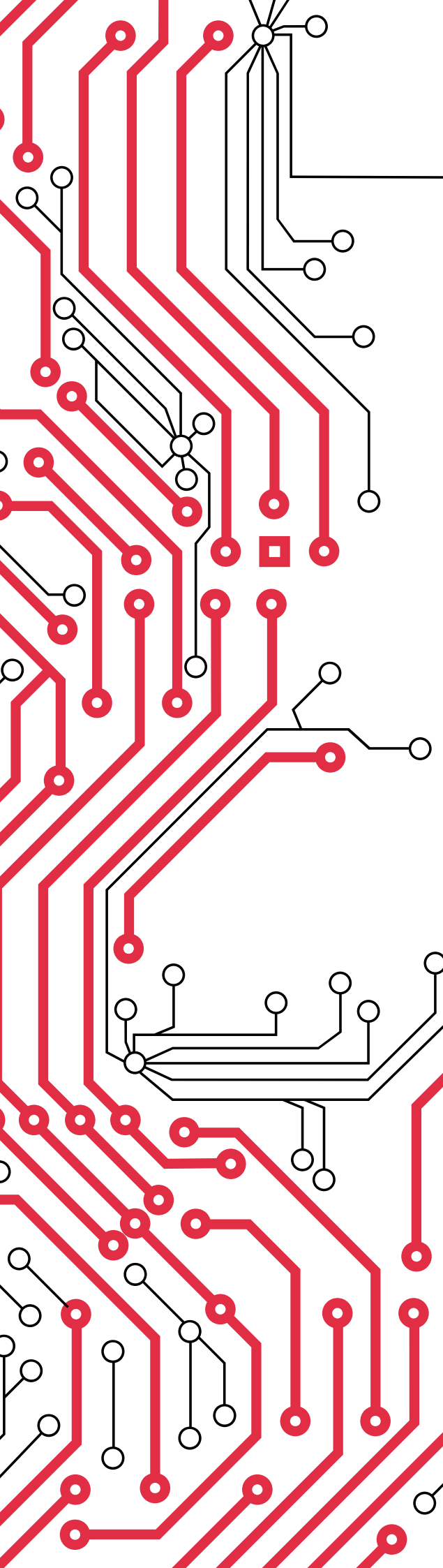
E-mail Updates

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

Meetings

- We hold an annual Tax Conference which benefits from high-profile speakers, including Treasury Ministers and HMRC officials.
- 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, including VAT, Business Rates and Gift Aid practical issues.





The Charity Tax Group (CTG) was set up in 1982 and has dedicated the last 36 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 at info@charitytaxgroup.org.uk or on **020 7222 1265**.

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