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25 years in charity tax

By Paul Knight

I spent 25 years providing tax advice to charities and retired from practice late 2024. Across that time, I have worked with charities of all types and sizes. Since retiring as a tax adviser, I have joined the team at the Charity Tax Group, a role I am much enjoying. Much has changed, of course, in those years. The world has gone digital, people can work at home, and I have an exhaustive but sadly redundant collection of ties. In all the change, some things have worked well and others have not. I have a few observations that might of interest.

First off, there is no such thing as “charity tax”, and it is largely unhelpful to think of it that way. Charities do have whole sections of tax legislation that relates only to them, but they all sit on top of existing core tax rules. Even the most discreet areas such as Gift Aid for individuals, for example, is built on income tax law. Separating out Gift Aid from its foundational tax law is not a good approach. This often leads to an excessive reliance on HMRC’s guidance. It is important to remember that the extensive and often helpful guidance is an understanding of the law, not the law itself. Some of it is (in my view) over prudent or restrictive, and some of it a very generous interpretation. The importance of a wider understanding of tax, upon which charity rules is overlaid, is even more critical in expansive areas such as property or financing transactions. Accordingly, “charity tax” should not be viewed as a disconnected niche discipline. Experience in the sector is important, but it is not a replacement for the proper discipline of interpreting tax legislation. You should expect your advisers to be able to demonstrate this.

I have reservations over HM Revenue & Customs’ approach to the mainstream charity sector in the last decade, which has not helped the majority of tax advisers. There has been a steady move away from discreet reviews of tax returns to a systems and processes model. The logic is fine – help tax payers get things right, rather than have to correct things later – but there is a risk here. Losing the regular direct engagement with charities and their advisers over the technical positions being adopted risks a reduction in technical capability on both sides. Sometimes things are not clear, and the adviser does need to come to a view. Knowing that view is going to be tested is helpful to the process. I think it would be better for charities, advisers and HMRC to see that pendulum swing back a little. (I know HMRC has to deploy a lot of resource to the worst types of charity tax abuse – this has nothing to do with the mainstream charity sector, and should, in my view, be considered an almost entirely separate area of HMRC resource).

A big change over my career has been in how tax services are bought. This has gone from one extreme to the other. I’ve never met anyone that does not accept that some

change was required from the distant days where advisers were selected based heavily on their shmoozing capabilities. However, the procurement led world that has since been built around buying tax advice is fundamentally problematic.

Most large charities now either have an obligation to apply a procurement framework to selecting advisers, or have adopted it as best practice. Of course, there should be a sensible attempt to assess different advisers by reference to their ability to meet your needs. But what are those needs? I have filled in countless tender requests, and not a single one has given the prospective client a true sense of what it would be like to work with me and my team. The answer to, “How would you approach [example] project” should always be, “It depends. How do you want me to approach it?” The point is, you are buying a *relationship*, not a photocopier. Advisers do not approach all their clients in the same way; this is a sophisticated professional relationship that cannot be meaningfully reduced in this way. I would encourage any charity to approach choosing a tax adviser in a way more akin to recruiting a colleague. Yes, they need the technical capabilities, but after that it’s about a fit with your team/values. The closer you get to testing that the better advice you are likely to get.

In summary, I would encourage charities to hold their tax advisers to account for really knowing their stuff right down to the fundamentals and be aware that you are more reliant than ever on your advisers’ view where HMRC does not routinely challenge technical analyses. And if you want a good relationship with your tax advisers find a way to meaningfully test that as much as possible in your tendering (ideally with less paperwork involved please!).

