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## The Charity Tax Group Newsletter

August 2025

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Whilst the heatwave has given way to showers, HMRC have been sweating away drafting reams of legislation as well as a 20th anniversary Road Map - All published the day before parliament broke up for its summer holidays.

For those of you who have already been away so have much catching up to do or are not yet on your travels so have much packing to do, we have a handy summary of the proposals below.

We also have an update on our correspondence with HMRC about their RCB 2/25 which impacts on the care sector, and HMRC are joining us at a special extra Gift Aid Working Group in September to talk about their new compliance checks.

**Richard Bray,**  
**Chair, CTG**

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## What else was in Legislation day?

In our [July Bulletin](#), we covered the changes to legislation and proposed changes to guidance to improve charity tax compliance published as part of Legislation day on 21st July. The government also published a range of other proposals including changes to inheritance tax and measures to limit promoters of tax avoidance schemes and tax advisers who facilitate non-compliance.

The third leg to the 'anti-avoidance suite' was to try to get a handle on 'Umbrella Companies'. These are companies used as employment intermediaries to hire temporary or agency staff on behalf of a business using those workers. Whilst some are legitimate, many are used to avoid tax and National Insurance (NIC). The government's latest proposals to tackle this avoidance mean that recruitment agencies or clients engaging Umbrella Companies directly will become responsible for PAYE and NIC on payments made to the workers that are supplied.

If your organisation uses temporary workers, you should be aware of this change and budget for any additional costs accordingly.

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## Unpicking of VAT grouping structures adopted to improve VAT recovery by care providers

In our [April Bulletin](#) we covered the changes set out in [Revenue and Customs Brief 2 \(2025\)](#) (RCB 2/25). The RCB explained how HMRC will take action to stop a scheme which boosts input VAT recovery for care providers who are regulated by the Care Quality Commission (CQC). Our members and observer members have found that the practical implications of this are quite challenging. In some cases care providers are finding that some commissioners, mainly local authorities, are confused about the changes and are refusing to pay invoices at all, or paying the net amount without VAT. This, together with the adverse budgetary impact, has a change on charitable providers who often run to a balanced budget to ensure that they deliver as much as possible for their funding is very challenging.

CTG has been in touch with HMRC who have confirmed that they are planning to issue guidance to commissioning bodies to remove the confusion which should facilitate payment of outstanding amounts. HMRC have also confirmed that they have not published any specific deadlines for unwinding the arrangements as they understand that care providers are all different, and unwinding may be more difficult for some than others.

We are planning to speak with HMRC again, so if your charity, or a charity that you are acting for, is suffering hardship as a result of the business brief, please [get in touch](#).

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## **Modernisation for HMRC but the end of the road for MTD for Corporation Tax**

As well as celebrating its 20th Anniversary, HMRC has published a [Transformation Road Map](#). Despite its analogue sounding title, the thrust of the proposals is to modernise HMRC's IT infrastructure and the way that customers interact with HMRC. There is also a wider, and possibly even more challenging ambition to simplify and modernise the legislative and administrative framework and share more data across-government.

In practice, the focus for HMRC is on introducing Making Tax Digital (MTD) for Income Tax over the next three tax years. The good news is that whilst HMRC are promising to modernise services for Corporation Tax (CT), they have abandoned plans to introduce MTD for CT. CTG has consistently pointed out to HMRC how difficult this would be for the charity sector, so, it is a big relief for charities both large and small who would have found MTD for CT extremely challenging. Hopefully the program of modernisation will expedite the improvements to the charity tax returns which we have raised with HMRC.

And although not an issue for all charities, HMRC are also planning to make improvements in 2025 to the customs Temporary Admission procedure, which relieves import duties for eligible goods that are imported and then returned to sender. This is a tricky area where charities can find themselves with unexpected bills for VAT and duty, as well as advisers fees. Hopefully these changes will bring some relief.

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## **Understanding HMRC's new compliance approach to Gift Aid claims**

Aligned with the government's digital ambitions, CTG is still hoping that HMRC will invest in *The Future of Gift Aid* project to reduce errors and increase take up of Gift Aid. In the meantime, we know that many charities are experiencing delays and rejection of Gift Aid claims because of HMRC's new compliance checks.

The next CTG Gift Aid Practical issues working group for charity members is scheduled for 4pm on Thursday 11th September. We are also planning to run an extra working group at 4pm on Tuesday 23rd September where Steve Carroll from HMRC will be attending to discuss the new compliance approach.

Booking links for both sessions will be sent direct to charity members inbox.

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## **When is a saving not a saving?**

Although as we noted above the government is trying to exclude rogue tax advisers from the market, it seems that they are still doing a good trade. One of

the current schemes picked up by the excellent [Low Income Tax Reform Group \(LITRG\)](#) is an NIC saving plan for grocery purchases. Whilst all charities are struggling for resources and keen to improve their reward packages for staff without additional cost, these schemes pose a risk. As LITRG say, it is most unlikely that a scheme of this type will be effective, and whilst the adviser will walk away with their success fee, the employer will probably find themselves seriously out of pocket, with a bill from HMRC for the underpaid NIC and possibly a penalty to boot.

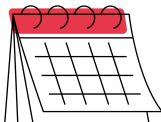


#### Tip of the Month

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Many of our CTG members make use of 'membership schemes' to raise funds and build relationships with their supporters. The rules for whether these schemes are subject to VAT or qualify for Gift Aid are tricky and somewhat frustratingly, different.

If your charity has a membership scheme, the quieter summer months are a good time to review what you are offering to check whether your scheme is the same as it was when you decided on the VAT and Gift Aid treatment, and so whether you are still within the rules.



#### Future Events

Register now for our Expert Insight Session - Tuesday 2nd September at 4pm

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As well as the September VAT and Gift Aid working groups and the extra Gift Aid working group with HMRC, we have an exciting programme of Expert Insight sessions lined up with our excellent Observer members. These will cover Payrolling of Benefits, Imports and Customs duties, Biodiversity Net Gains (BNG), and Rates.

If your firm would like to run an Expert session for CTG, then please [get in touch](#).

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Our popular **Expert Insight Sessions**, are run as webinars, with expert speakers focused on issues and subjects with wide relevance.

### Expert Insight Sessions: Dates for your diary:

- Tuesday 2nd September 2025 – Monthly Benefits – the move to payrolling of benefits in kind – Susan Ball and Sarah Hewson, CIOT. - [Registration Open](#)
- Tuesday 14th October – Customs Duties, a practical guide – Jack Ray Atkins, The Customs People.
- Monday 10th November – Dealing with biodiversity net gains (BNG) – Cara Turlington and David Humphrys – Saffery.
- Thursday 15th January 2026 – Rates update – John Webber Colliers.

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Our **Gift Aid** and **VAT** practical issues working groups give charitable organisations the opportunity to discuss the details of these two important areas of tax. Meeting links will be sent out direct to your inbox however please [get in touch](#) if you have any questions.

### Gift Aid Practical Issues Working group meetings: Dates for your diary:

- Thursday 11th September at 4pm
- **Extra working group on Tuesday 23rd September at 4pm where Steve Caroll from HMRC will be attending to discuss the new compliance approach.**
- Tuesday 2nd December at 4pm

### VAT Practical Issues Working group meetings: Dates for your diary:

- Thursday 18th September at 4pm
- Thursday 11th December at 4pm

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We run regular **Observer Member** sessions for our Observer members to share their experiences and the latest news and developments in charity tax.

### Observer Member Meetings: Dates for your diary

- Thursday 24th July (rescheduled from 26th June) at 3pm and 4pm
- Thursday 25th September at 3pm and 4pm
- Thursday 27th November at 3pm and 4pm

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Our previous Expert Insight Sessions recordings and Newsletters can be viewed by clicking the buttons below:

[Expert Insight Recordings](#)

[Previous Newsletters](#)

We are pleased to feature our current Observer members on our website. To see the current list of members and learn more about their organisation please visit the

[Observer section](#) on our website.

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Charities can support the CTG with a voluntary membership payment.

**Donate here**

If you have any questions, feedback or need assistance, please do not hesitate to get in touch. [info@charitytaxgroup.org.uk](mailto:info@charitytaxgroup.org.uk)

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