



The Charity Tax Group Newsletter

July 2025

Whilst you have been basking in the heat of recent days, you have probably also been wondering what is hot in the world of charity taxation.

In this newsletter, and before the school holidays begin, we share feedback on:

- Our round table discussion with the Exchequer Secretary to the Treasury,
- Our draft consultation response on the VAT relief for goods donated to charities for their own use,
- The work that CTG is doing with HMRC on protecting Gift Aid on annual memberships,

and with help from long time CTG supporter, The National Trust, we are also able to provide an update on:

- The tax implications of Biodiversity Net Gains or BNG.

Although we are taking a break from our Expert Sessions over the summer, as well as putting together our autumn winter programme which will include sessions on rates, customs duties, and payrolling benefits, we are hosting a session later **today** (8th July) for stakeholders to find out more about and contribute towards our strategy. To join us please register [here](#).

Richard Bray,
Chair, CTG



Latest News

Meeting with the Exchequer Secretary, James Murray MP

It is almost a year ago now, when we wrote to congratulate the new Exchequer Secretary to the Treasury (XST) on his new appointment and to ask for a meeting to discuss charity taxation. That meeting took place in early June when Charity Tax Group and a number of Charity sector colleagues including CEOs were invited to a roundtable discussion.

Whilst we used this as an opportunity to express our continuing concern about the impact of the increase in NI contributions on charities, we were also very keen to ensure that this was a positive meeting and a stepping stone to future engagement. We reminded the XST that charities welcome the generous reliefs and are supportive of measures to prevent fraud and abuse. CTG also noted that despite the government's tight fiscal position, there are many low cost measures that could help charities. We also encouraged the XST to modernise the tax system by accelerating the Future of Gift Aid project.

The feedback we have received from the civil servants in attendance was that the minister is interested in the detail of the tax system and enjoyed the meeting. We are hopeful that some of the improvements that we have been seeking, including but not limited to the changes to Gift Aid rules for annual memberships to accommodate the DMCCA changes, will find their way into the next set of legislative changes.

Donated goods

In our May newsletter, we reported that the government had finally released its consultation on the [VAT Treatment of Business Donations of Goods to Charity](#). CTG has joined a number of working groups with HM Treasury, HMRC and other parties including the CBI and The British Retail Consortium to discuss the practicalities of the proposed measures to ensure that they are usable in practice. Otherwise, the core aims of increasing the impact of charities and reducing waste may be lost in the mire of administrative works.

If you receive donated goods, or would like to do so, for use of your beneficiaries, please do respond to HMRC using the [online form](#). The survey is quite long because it is working through the practicalities of how charities receive donations and how HMRC could administer the relief but there is no requirement to answer all questions, only those that are relevant to you.

Change is more likely to happen if more people respond to this, so

please do find the time if you can. You can see a copy of CTG's draft response [here](#) and are welcome to use this in your response. The consultation is open until 21 July.

Digital Markets, Competition and Consumers Act 2024 (DMCCA) and Gift Aid

The DMCCA introduces [welcome] new protections for consumers who take out subscription contracts. However, it will have a big impact on charities.

As such, CTG has been working with HMRC since the new year on the changes required in Gift Aid legislation to enable charities to continue to claim gift aid on annual memberships once the Act comes into force in spring 2026. We previously reported that the change has ministerial approval in principle so should make it into the next budget.

We have now had confirmation from HMRC that we should be consulted on detailed draft legislation over the summer. We will update you once we receive this from HMRC.

Biodiversity Net Gains (BNG)– some clarity on the tax treatment.

In our April Newsletter we discussed the multitude of tax issues that can arise on BNG income and expenditure. By way of reminder, BNG is the obligation on property developers to ensure that the natural environment is left in a measurably better state than it was before the development. So far, BNG is mandatory as part of the planning process in England (Scotland, Wales, & NI are expected to develop similar schemes) and the amounts involved can be significant. Developers have the option to improve their own site(s), work with a third party, for example an environmental charity, who will sell them Biodiversity Net Gain Units, or as a last resort buy Statutory Biodiversity Credits from DEFRA.

The National Trust and RSPB have been working with PWC, the ATT, and HMRC to reach a common understanding of the direct tax implications of receiving BNG income. HMRC has agreed that for conservation charities the income received from BNG will be either primary purpose or ancillary to a primary purpose and so exempt from corporation tax. Where charities have conservation in their objects, this treatment can apply to them too. HMRC has set up a working group which will issue a technical note on the taxation of BNG shortly.

Meanwhile, in the VAT camp things are a little more complicated. HMRC have issued a statement to confirm they consider the sale of *Biodiversity Net gain units* to be within the scope of VAT because they meet the principles set out in guidance ([VATSC06584](#)). However, their position for sales of Statutory Biodiversity Credits by Natural England on behalf of DEFRA to property developers, are outside the scope of VAT because they are carried out under a special legal regime and HMRC is not aware of any distortion of competition ([VATGPB3200](#)).

We do not yet have clarity on the position around input VAT recovery. This should be reasonably clear where there has been a sale of BNG units and there is no subsequent change in ownership of the land. As well as working with HMRC on their draft published guidance, we are working with Saffery who are intending to provide a guidance note on BNG for our members on both accounting and tax implications of BNG.

It is hoped that Saffery will run an Expert session for us as part of our autumn program.

A simplification for deduction of VAT incurred on management of employer pension funds

Further to our [bulletin](#) on RCB 3 (2025) on the VAT treatment of charity fundraising events following the Yorkshire Show case where HMRC reluctantly accepted the findings of the Tribunal, HMRC have also issued [RCB 4\(2025\)](#) on the deduction of VAT incurred on the management of employer pension funds. This seems to be a good news story. HMRC policy until now was that where there was 'dual use' of investment costs by an employer and the trustees and an apportionment was required of these costs using an agreed method. The new policy brings in a significant simplification such that investment costs are no longer seen as being subject to dual use. Instead, all the associated input tax incurred will be seen as the employer's and deductible by the employer, subject to normal deduction rules.

In addition, where trustees are supplying pension fund management services to the employer and charging for them, they will also be able to deduct input tax incurred for the purpose of providing those services, provided they are VAT-registered and subject to the normal deduction rules. This should result in a reduction in costs passed on by trustees to the employer.

Fundraising events

And before moving on from VAT, in addition to the issue of RCB 3 (2025), HMRC have also updated the [guidance manual](#) for their staff on the fundraising exemption. It does add a little bit more flesh to the bones, but the message is the same as set out in our Bulletin and as always, our message also remains the same – which is *'make sure that if you are relying on the*

exemption, you have carefully observed the conditions for it to apply'.

What are we doing and what would you like us to do?

We are hosting a session **today** for stakeholders to find out more about and contribute towards our future strategy. CTG's aim is to reduce the tax burden for charities. One way we do this is through engaging with HMRC and other regulatory bodies in relation to tax issues affecting the charity sector, enabling our members and the wider charity sector to be heard.

Although the government is clear that it doesn't have any spare cash to hand out, we are still working hard to make tax better and simpler for charities, helping to iron out wrinkles in new policies, improve HMRC guidance, and suggest low-cost improvements to the tax system whilst not forgetting other issues that may take longer to fix.

In this call we will share a summary of what we are currently working on and seek your views on what you think we should add to the list. To join us please register [here](#).

Delays and rejections of Gift Aid claims – does it look like a business address?

As we reported last month, a number of our members have let us know that their gift aid claims are taking longer to be paid and, in some cases, large claims are being wholly rejected due to small errors on a small number of entries within the overall claim.

Our friends at the National Trust have explored this further with HMRC who have confirmed that one of their checks is to ensure that donors have not used a business address. Whilst HMRC have not shared their full list of search terms it appears that the following are problematic: 'limit', 'unit', 'trust', 'Ltd' and 'plc'. Once the machine checking is complete, a human operator will review the rejected lines.

HMRC have suggested that charities should review their donor addresses and verify that none are business addresses and editing addresses to remove these search terms. Clearly this may be problematic where a charity is using a CRM system. A further complication is that where HMRC remove a line or lines from a claim they do not share that information with the charity.

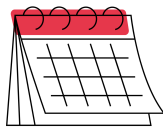


Tip of the Month

As we are now in July those charities who provide benefits will have just completed their P11D and possibly PAYE settlement (PSA) reporting. This is a

good time to consider whether to be an early adopter for payrolling of benefits from April 2026.

HMRC have published a [technical note](#) with more information. The payrolling of benefits will be covered in our next expert session. See below for how to register and do consider passing on these details to your payroll colleagues.



Future Events

Expert Insight Sessions

Our first Expert Insight Session following the summer hiatus will take place on:

- Tuesday 2nd September at 4pm - Payrolling of benefits (delivered by Susan Ball and Sarah Hewson of CIOT)
- Tuesday 14th October at 4pm - Customs Duty, the basics (delivered by Jack Ray-Atkins, The Customs People)

Save the dates in your diary and look out for links to join the sessions in our August Newsletter.

Charity Member Only events

We are excited to announce the dates for our next charity members only events. Meeting links will be sent to our Charity members via email in due course.

Gift Aid Practical Issues Working group meetings:

- Thursday 17th July at 4pm (there is still time to register, if you are a charity member, get in touch and we will send you the link)
- Thursday 11th September at 4pm
- Tuesday 2nd December at 4pm

VAT Practical Issues Working group meetings:

- Thursday 10th July at 4pm
- Thursday 18th September at 4pm
- Thursday 11th December at 4pm

Observer Member Meetings

Save the dates in your diary and look out for booking links which will be sent direct to your inbox.

- Thursday 25th September at 4pm
 - Thursday 27th November at 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.

Charities can support the CTG with a voluntary membership payment.

Donate here

[OUR WEBSITE](#) / [CHARITY TAX INFORMATION](#) / [SUPPORT US](#)

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

Thank you for supporting CTG

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