

# Influencing the future of charity taxation

charity  
**tax**  
group

Annual Review  
2018-19



# Representing charities on tax



*"We are very pleased that a number of the changes that were announced followed representations made in our Budget submission and through direct lobbying of the Charity Tax Minister by our members at CTG's Annual Conference in 2018, and since."*



# Engagement with charities on tax



# Influencing the future of charity taxation

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**As I reflect on another busy year, I am amazed at the breadth of issues on which the Charity Tax Group (CTG) has been working. While a lot of this work goes on in the background, CTG can be proud of the way it continues to deliver results for charities that help to improve their financial position and simplify the tax system.**

This is only possible because of the strong working relationships we have established with key decision-makers at HM Treasury and HMRC, who clearly regard our representations as credible, informed and worthy of serious consideration.

Last year's Budget is an important case in point: the changes announced to the Gift Aid Small Donations Scheme, Retail Gift Aid Scheme and small trading exemption threshold were three of the key issues that members discussed directly with the Minister at last year's Conference and were then formally proposed by CTG. The Minister has shown that he is willing to introduce targeted administrative changes that will simplify the tax system for charities and donors and reduce costs. We are delighted that he is returning to address this year's Conference which, once again, will give members the opportunity to get their views across.

This is likely to be the most critical year in decades for shaping charity tax policy. Irrespective of how Brexit is settled, VAT reliefs and rates will come under scrutiny because in Europe the Commission is looking to overhaul the VAT system. Even if the UK is no longer tied to the EU's VAT regime, the UK Government will certainly take stock of how it can best use the UK VAT system to achieve its policy goals. Initially, policymakers will be looking at the bigger picture but, in preparation for the more detailed scrutiny of the VAT system that will be undertaken over the next couple of years, we need to ensure that we secure the best outcome for charities. As outlined later in this Review, CTG is investing time and money into a detailed research project to quantify the value of existing charity VAT reliefs and the added value that they bring to society. Feedback and financial support from charities is essential to enable us to progress this important research which will inform our representations to the Treasury.

Also, later this year, the Charity Tax Commission will be publishing its findings and recommendations on the future of the tax system as a whole. CTG is a member of the Commission's Advisory group and, on behalf of our members, submitted a detailed response to the consultation based on member feedback. Our fundamental calls were for the tax system to be future-proofed and for long-term

distortions (most notably irrecoverable VAT) to be addressed. We emphasised the importance that any proposals reinforce the core principles underpinning charity tax, particularly that the tax system should not discriminate between organisations that are recognised as charities in the various UK jurisdictions and also that donors should not be taxed on money they have given to support charities rather than use for personal benefit.

Other priorities in the coming year include the introduction of Making Tax Digital for VAT reporting requirements, and preparation for the extension of off-payroll working rules for medium and large charities from April 2020. We continue our negotiations with HMRC on the VAT treatment of online charity advertising and we hope that this time next year we will be able to report positive developments in respect of a VAT reduction for e-publications, which would be very valuable to many charities. The Gift Aid working group continues to grow in size and stature and is now undoubtedly a very influential sounding board for HMRC on both practical and strategic reforms of the relief.

My thanks go once again to Graham Elliott, CTG's technical adviser, and to our volunteer Management Committee – together they provide extensive support and expertise to the organisation. Special thanks are due to Karen Atkinson, who is stepping down at CTG's Treasurer, leaving the books in very good order (although as ever, we continue to need your financial support!), and also to Darren Spivey and Polly Dickinson, who have provided wise counsel and support to CTG during their times as directors.

I should 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 working with all of you over the coming year.



John Hemming, Chairman

# Shaping Gift Aid, today and in the future

The Gift Aid working group, co-ordinated by the Charity Tax Group (CTG), now has over 80 charities on its mailing list. Our quarterly meetings are at capacity attracting active and engaged discussion on best practice to maximise eligible Gift Aid claims. Working group members have been able to improve their Gift Aid processes, resulting in £millions of additional payments being made to charities.



The working group is not just a talking shop. Its feedback is having a real influence on HMRC policy. The experience and expertise of our members means that we can act as a trusted critical friend and be a testing ground for new ideas. For example, feedback from the working group was important in persuading the Minister responsible for charity taxation not to impose a blanket ban on Gift Aid fees charged by intermediaries such as JustGiving. The Minister requested a meeting with us to discuss the relationship between charities and the intermediaries and we argued that sector led dialogue was the best approach. I am pleased to report that these discussions have now begun. A Government ban on intermediary Gift Aid fees could have resulted in higher fees on processing donations, a lower quality of service, or complete removal of the service altogether. At the same time, it is important that new Gift Aid intermediaries (including Facebook) engage with the sector to ensure that the data they provide charities with is of good enough quality to satisfy HMRC's requirements for Gift Aid claims.

new declarations (rather than just an initial) this will not be mandatory. HMRC agreed to this approach after we highlighted the practical difficulties it would cause and demonstrated that there were alternative ways to secure a gradual improvement in the number full forenames entered in claims. This change will safeguard Gift Aid in the short-term. But we still need to work closely with HMRC to protect the integrity of Gift Aid claims and help reduce the estimated "tax gap" of up to £180m (10% of the £1.2bn total claim) of ineligible Gift Aid claims made each year.

While concerns about the tax gap need to be addressed, HMRC sponsored research estimates that £560m of Gift Aid is left unclaimed each year. A major focus for the working group is unlocking this income which is so desperately needed by charities. This will include future-proofing Gift Aid so that it can be claimed on new forms of digital giving such as contactless payments. While there will be practical issues to work through, there are exciting developments afoot that could unlock significant extra Gift Aid. We will continue to support all efforts to promote and champion Gift Aid and I encourage all CTG members to support us in our work. It is vitally needed.

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

*"As a small charity, obtaining all the information we need to know about Gift Aid can be a minefield. I have been receiving your emails for just under a year and find them very informative, especially as there is no one in the charity to discuss various matters with."*

Margaret Lloyd, Shropshire Cat Rescue

Feedback from the working group has also prevented HMRC introducing new compliance requirements which we believe would have been counter-productive for all concerned. For example, HMRC has agreed that while charities are strongly encouraged to provide full forenames when obtaining

£180m

of Gift Aid is claimed incorrectly



£560m

of Gift Aid is left unclaimed

A major focus for the working group is unlocking this income which is so desperately needed by charities.



# Valuing VAT reliefs and charities

## Underestimating the value of charities

Stating the value of tax reliefs given to charities acknowledges the support received from Government, but does nothing to establish the return on that investment. Saying “this will fund 10 home carers” or “100 days of medical research” only goes part way to establish the contribution charities make to society, the economy and Government’s social obligations and strategy. In the process of achieving their mission objectives charities create employment, skills and training opportunities, and purchase goods and services from other businesses in the supply chain, thereby contributing to the national economy. These activities also generate taxes for Government in the form of PAYE, corporation taxes and VAT. These benefits are not always considered which means that the full contribution that charities make has not yet been quantified.

## What are we doing?

The Charity Tax Group (CTG) is commissioning a research project to quantify the value of existing VAT reliefs for charities and to consider the socio-economic value of charitable reliefs to wider society.

The project has two stages. Already underway is the first stage to prepare a quantitative analysis to calculate the value to charities of existing VAT reliefs by subsector and model the impact of changes to VAT rates and reliefs.

The next step will be to develop an analysis of charities’ socio-economic contribution, and an analysis of the potential net fiscal impact of a change to the tax regime.

## Why now?

VAT reliefs and rates are likely to come under greater scrutiny in the coming

## Can your charity afford a larger VAT bill?

- VAT rates and reliefs are facing review
- Charities currently benefit from a wide range of valuable reliefs, but how much are they actually worth to charities and the wider economy?
- If there were no reduced or zero rates or no VAT exemptions, could your charity afford to pay VAT on all its purchases?
- What could your charity do if there were more generous VAT reliefs and no irrecoverable VAT?
- Can charities afford to wait and see what happens? Other sectors are already preparing...
- We need data to make the case to Government to protect existing reliefs and to create an improved VAT system for charities

**This research needs to be funded and we need your support**

Support CTG’s VAT research project visit [www.charitytaxgroup.org.uk](http://www.charitytaxgroup.org.uk) for more information

years, regardless of the outcome of the ongoing Brexit negotiations. The current review of VAT rates by the European Commission means that if the UK VAT system is tied to European rules, or seeks to align itself closely, there will be greater flexibility on VAT rates, something that we are already seeing in the context of e-publications. If the UK has no ties to the European VAT regime, post-Brexit, the Government will inevitably take stock of how it can best use the UK VAT system to achieve its policy goals.

## Why is this important for charities?

It is important that charities are part of these discussions. Ministers have been clear that stakeholders from a wide range of sectors will be making their case for improved VAT treatment. This research will enable us to defend existing VAT reliefs if they are challenged and to have a rigorous economic argument for why extending VAT reliefs could benefit not only charities, but wider society and save money for the Exchequer in the long term. HMRC officials are also keen to work with CTG to make sure that they understand fully the scope of VAT reliefs available for charities, so it is incredibly important that we capitalise on this

opportunity as part of our wider work in addressing the historic distortions that charities face in the VAT system.

## What’s next

CTG has commissioned respected economics consultancy London Economics to undertake the first stage of this project. They will be co-ordinating a survey of charities with a view to sharing their findings with CTG later this summer.

Ideally, the second stage of this project will follow shortly afterwards, to ensure we maintain momentum and maximise the value of the finding and VAT tool that will be available. However, this is contingent on CTG securing sufficient funding. We are in discussions with a number of grant-giving charities and other sponsors, but we also need additional donations from charities towards this special one-off project.

**“Recommendation 4: HM Treasury and HMRC should undertake a comprehensive review of the reduced rate, zero-rate and exemption schedules.”**

Office of Tax Simplification (OTS),  
November 2017 Report

# Management Committee 2018-19

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**John Hemming**  
*Chairman*  
Taxation Analyst,  
Wellcome Trust



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



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



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



**Polly Dickinson**  
Business Manager,  
Anaphylaxis  
Campaign



**Philip Hayes**  
Associate Director  
of Tax, University  
of London



**Favaad Iqbal**  
Head of Indirect  
Taxes, Cambridge  
Assessment



**Philip Spedding**  
Development  
Director, London  
Library



**Darren Spivey**  
Head of Financial  
Governance, RNLI



**Monica Varriale**  
Chief Operating  
& Financial Officer,  
Serpentine Galleries



ADVISER:  
**Barni Brand**  
Quality and  
Compliance  
Manager, WWF UK



ADVISER:  
**Andrew Disley**  
Tax Manager, Save  
the Children UK



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



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



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

*“Working with the CTG team has really helped my understanding of the different taxes affecting charities, which has been invaluable as I did not have any previous experience of the sector. Reading the regular newsletters and participating in the working groups has helped me to build up my knowledge in a short space of time and helped me to prepare for important upcoming tax changes.”*

Yasir Yasin, Gift Aid and Tax Manager, Oxfam

# Benefits to Members

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## Representation

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- 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

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- 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

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- 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.

## Newsletters

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- Our regular newsletter on charity tax developments ensures that members are up-to-date 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

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- 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.



***“It is a pleasure to support CTG, as they were there for us when we needed help. Whenever we can, we will continue to make donations, despite the fact that it is not always easy as we are very small charity with limited funds.”***

*Tim Coventry, CEO, Surf Life Saving GB*



The Charity Tax Group (CTG) was set up in 1982 and has dedicated the last 37 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](mailto:info@charitytaxgroup.org.uk) or on **020 7222 1265**.

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