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11<sup>th</sup> July 2016

Dear John

Thank you for your letter of 27 June, in which you set out some of the charity tax issues that your members are currently considering.

We were due to have the opportunity to discuss these, and other, issues at a charity tax roundtable that I was looking forward to hosting on 4 July. As you know, due to other pressures on my diary it was necessary to cancel this event. Please accept my apologies for any inconvenience this has caused; I plan to schedule a similar roundtable event later this year.

In the meantime, I would like to respond to the various issues you highlighted in your letter.

#### EU referendum result

I fully appreciate that the result of the UK referendum on membership of the European Union may create uncertainty for the charity sector. Your letter cites specific concerns in areas including future funding, cross-border philanthropy, and VAT. As the Prime Minister has made clear, there will be no immediate changes following the referendum result, but the will of the British people must be respected and delivered. The Government must now prepare for a negotiation to exit the EU to ensure that the interests of all parts of the UK are protected and advanced. The Prime Minister made it clear that the country requires fresh leadership to deliver this, and consequently the negotiation will begin under a new Prime Minister. In the meantime, the Government will continue working to deliver its agenda and take forward the important legislation that was set before Parliament in the Queen's Speech.

As I highlighted in my speech to your annual conference earlier this year, the Government remains fully committed to maintaining its constructive relationship and regular dialogue with the charity sector. I think it is even more important that this continues throughout the process of withdrawal from the European Union, and beyond, and I would

encourage you to continue to engage with me and my officials on the tax issues facing the charity sector.

### Apprenticeship Levy

I am pleased that you have arranged with the Department for Business, Innovation & Skills a joint seminar to consider the implications of the apprenticeship levy for charities. I appreciate your concerns regarding the levy and I can assure you that the Government is currently considering whether there is scope to allow employers to use funds more flexibly. The outcome of this will be set out in the next round of employer guidance which will be published later this month. Apprenticeships are now the cornerstone of the skills system and provide opportunities for all sectors and at all levels. Everyone stands to benefit from the better skilled workforce that the apprenticeship levy will help deliver.

### Common Reporting Standard

I am grateful for your ongoing constructive engagement with my officials regarding the Common Reporting Standard (CRS) and the obligations for charities. As you know, the inclusion of charities in the CRS is important to make the standard effective across all the jurisdictions adopting it and to help prevent charitable structures being used in tax evasion.

The Government recognises that complying with the requirements of the CRS may place some additional burden on affected charities. However, we are clear that this burden should not be excessive and we are committed to working closely with the sector to minimise the effect on charities. Officials in HMRC have publicly given a commitment to a soft landing approach to compliance in the early years of the CRS, and have confirmed they will work closely with charities to overcome the particular issues they are facing. Part of that work will of course be special consideration of the impact on charities when considering any non-compliance, but it would give the wrong signal to the sector about the importance of the CRS, and leave the UK open to international censure, were a general amnesty to be given to charities. As you may be aware (I believe the Charity Tax Group were represented), HMRC ran an event on 29 June for charities and HMRC will continue to work with the sector on this issue.

You raise an important point about the protection of human rights and data protection. The Government takes the protection of customer data very seriously, and there are safeguards within the CRS to ensure that the information sent to other jurisdictions is only used for the purposes for which it is intended. The legal agreements that underpin the CRS are clear that such information must only be used for the purposes of tax administration by the receiving jurisdiction. Officials are working with your organisation, and others representing charities, to consider how any cases of serious threat to individuals' human rights can be reviewed before information is exchanged.

### Gift Aid

I would like to thank you and your members for your continued engagement with the Government on issues relating to Gift Aid.

We are still analysing responses to our recent consultation on simplifying the Gift Aid donor benefit rules, but have noted the points made by the Charity Tax Group – including your concerns regarding the current operation of the “in consequence” rule. We will also consider carefully all responses to the consultation on the Gift Aid Small Donations Scheme, including your assessment of some of the proposed reforms as set out in your letter.

It is this Government’s objective to increase the amount of Gift Aid claimed on eligible donations. Consequently, I welcome the work you are undertaking with individual charities to consider the potential for further improvements to the Gift Aid regime. Please do engage with my officials on this work at the appropriate juncture.

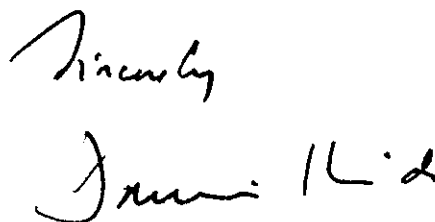
### Charity business rates relief

I recognise the importance of mandatory business rate relief to charities, which was worth almost £1.8 billion to the charity sector in 2015-16. I am grateful for the representations made by the Charity Tax Group and other parts of the sector to inform the Government’s business rates review. As you know the Government has confirmed that charity relief within business rates will be maintained at current levels. Separately, the Government will shortly be consulting on the implementation of the 100 per cent business rates retention reforms.

### Making Tax Digital

I am grateful that you welcome our plans to modernise the tax system and transform HMRC into one of the most digitally advanced tax administrations in the world. Making Tax Digital (MTD) is at the heart of this and will create a platform for future innovation and simplification through embracing modern technology. We will be consulting on a number of aspects of MTD this year and welcome your engagement in that process, including your suggestions on how we might build on the Government’s proposals so that the reporting burdens for charities can be reduced.

Thank you once again for taking the time to set out your members’ views on these matters. I hope that we will be able to discuss them in person at a rescheduled roundtable event later in the year: in the meantime, I would encourage you to continue to engage with my officials on these and on other policy issues facing the charity sector.

A handwritten signature in black ink, appearing to read 'Damian Hinds', written in a cursive style.

Damian Hinds MP  
Exchequer Secretary to the Treasury

