



HM Revenue and Customs
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Making Tax Digital for Business Policy and Design Team
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By email: makingtaxdigital.consultations@hmrc.gov.uk

5 March 2021

Dear Making Tax Digital for Business Policy and Design Team

Making Tax Digital for Corporation Tax consultation – feedback from the charity sector

Following consultation with charities, the Charity Tax Group, Charity Finance Group and National Council for Voluntary Organisations make the following headline comments in response to the consultation.

1. Making all charities “within the charge to Corporation Tax (CT)” subject to Making Tax Digital (MTD) reporting requirements will not meet the policy objectives set out in the consultation.
2. It will be extremely costly and onerous, not only because all corporate charities (many of them very small) would have to invest in additional software purely for this exercise, but also in staff (and/or volunteer) time in understanding the system and producing the data in the new format. HMRC should therefore carry out a cost benefit analysis of the merits of including charities within the scope of the reforms.
3. Having conducted our own review, we believe that there is a strong rationale for introducing a general exemption for charities from MTD for CT. HMRC accepted that this was appropriate for all charities in the government response to the MTD for Business consultation in 2016-17 and, notwithstanding the subsequent introduction of MTD for VAT, we see no reason to change that assessment. As regards the relatively few charities that have a regular corporation tax liability or need to submit a CT return to claim a relief, we consider that there should be separate discussions about how they should be dealt with under MTD for corporation tax.
4. If a general exemption is not possible, only larger charities should be required to comply with rules introduced to ensure that most smaller charities are exempt. In particular, we fail to see any benefits of subjecting charities and their non-charitable subsidiaries to quarterly reporting to HMRC, given this information is not likely to be useful to HMRC. At the very least, there should be a *de minimis* threshold such as effectively applies with MTD for VAT. If smaller charities are required to comply HMRC should give serious consideration to the provision of a free filing software product.
5. The consultation process is an essential opportunity to review the information charities are required to provide in supplementary form CT600E.

The voice of charities on Tax

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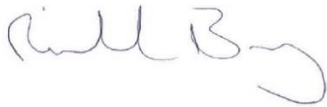
While all efforts are made by the Charity Tax Group to give assistance to its members, it is not qualified to give technical advice on fiscal matters and cannot therefore be liable in any way for any such advice given.

6. Proposals for amalgamating filing deadlines for tax returns and accounts could create a serious practical problem for charities and other entities subject to MTD for CT. This should be reconsidered.

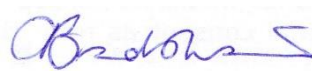
Charities would be very happy to meet officials to discuss this consultation response. Please contact info@charitytaxgroup.org.uk if you would like to arrange a meeting or have any questions.

The Charity Tax Group and Charity Finance Group will also be submitting separate more detailed responses to the consultation, with responses to the individual consultation questions.

Yours sincerely.



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Acting Chair, Charity Tax Group



Caron Bradshaw OBE
CEO, Charity Finance Group



Sarah Vibert
Interim CEO, NCVO