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The Charity Tax Group Newsletter

May 2025

Welcome to our monthly newsletter. Here you will find our latest insights, news and training opportunities.

After some disappointment that the Spring Statement did not include much to report on from a tax angle or alleviate the burden of the NIC increase which is now live, it seems that HMRC were really holding their light under a bushel as we now find ourselves awash with proposals issued in the snappily titled [Tax update spring 2025: simplification, administration and reform summary](#).

Welcome measures include a reversal of the additional requirements to report employee hours through payroll, pushing back the mandatory payrolling of benefits to April 2027, and a small uplift in the capital goods scheme threshold.

The most exciting measure was a consultation on what steps are required to introduce VAT free donations of surplus goods to charities for their own use. This has been one of CTG's long term campaigns alongside others including the CBI and we strongly encourage you to support this measure by responding to the consultation.

Richard Bray,
Chair, CTG

Old lamps, for new (goods donated to charities)

We were beginning to think that HMRC/Government had lost any appetite for introducing an easement for businesses donating goods to charity. So we are very pleased that the genie has come out of the bottle with a consultation on the [VAT Treatment of Business Donations of Goods to Charity](#). CTG has been working with other parties including the CBI and The British Retail Consortium to secure an update to current VAT rules, which relieve VAT on goods donated to charity for sale or export, but not where those goods are to be used by the charity in delivering its objectives.

This means that businesses can incur a cost of donating surplus goods to charities, and this is clearly a disincentive. Allowing businesses to donate goods without paying VAT, helps you achieve your aims and reduces waste. 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. **The consultation is open until 21 July.**

Bad apples

CTG has also been busy participating in an HMRC round table discussing what further steps HMRC can take in the tax advice market to reduce the prevalence of rogue traders/bad apples who sell 'tax reduction schemes' which leave HM Treasury and often the taxpayers themselves, including charities, out of pocket. We made a number of strong points to HMRC, including the point that taxpayers are sometimes financially naïve and are persuaded into these

schemes by convincing sales staff who claim to have HMRC approval. In these cases, it should be an option for HMRC to transfer some of the liability for tax recovery and penalties to the miscreant advisor. The whole issue is a very sticky problem and has been on HMRC's to do list for around 9 years, and has been the subject of many reports and consultations, the latest of which can be found [here](#) and is **open until 29th May**.

Kicking the pay-rolling of benefits can down the road

It will be a welcome relief to many businesses that they now have an extra year to prepare for pay-rolling of benefits which will now be introduced in 2027. Better still, HMRC have published a [technical note](#) which will answer some of the questions employers need to know.

How do they do it?

In our March Newsletter we reported that HMRC had updated their guidance around '[authorised signatory](#)' for charity trust and estates returns (SA900). We raised this with HMRC and explained that the guidance is confusing and raises a number of practical challenges in its application. HMRC have confirmed that they are working on this and hope to come back to us soon.

Construction services and capital goods

Surprisingly, until now, there was no HMRC guidance manual covering the domestic VAT reverse charge for Building and Construction Services which was introduced back in 2021. But people are no longer in the dark as HMRC have finally published the [VAT Reverse Charge for Building and Construction Services Manual](#). This is perhaps a niche area unless/until you have a building project. On a slightly connected theme, after years of pressure from taxpayer representatives including ourselves, HMRC have acknowledged that the £250k threshold for putting capital items into the capital goods scheme is too low and is leaving many charities (particularly in the education sector) with a huge administrative burden. The announcement is light on detail, but it does seem that HMRC are going to increase the threshold to £600k, which whilst not high enough in our view, will bring relief to some.

Uplift in the threshold to be a small company

[The Companies Act 2006](#) small company size thresholds for balance sheet and turnover have been increased by almost 50% to £7.5m and £15m respectively with effect from April 2025. This threshold determines audit and reporting requirements, but also whether companies qualify for the more favourable rules for off payroll working which apply when engaging contractors. So, this means that more charities will fall into the small company regime which should reduce their compliance burden and risk in this area.

Advertising evolution

CTG have been working with HMRC for some time to align the relief for charity advertising to reflect current industry practice. HMRC have confirmed that they are working with a number of stakeholders to enhance their understanding of online advertising and how this interacts with the VAT legislation as drafted. They are hoping to revert to us in the next couple of months and we will keep you updated.

Yorkshire Agricultural Society – clarity from HMRC

In our February Newsletter we reported that we had asked HMRC to clarify whether in the light of the Upper Tribunal (UT) decision they will update their guidance and/or legislation on fund raising events and to what extent charities may be able to rely on the UT decision for current and future events. HMRC have confirmed that a number of stakeholders have sought guidance on this, so HMRC are planning to publish a Revenue and Customs Brief (RCB) which will outline their views on the application of Item 1, Group 12, Schedule 8 VATA following the decision, including on the Retained EU Law matter. HMRC have indicated that it is their ambition to publish this in the next couple of months.



Consultations

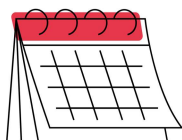
Consultation on uplifting the thresholds for charity compliance

Although not directly connected with tax, DCMS is seeking views from stakeholders, including charities and industry experts, on financial thresholds in charity law (the 2011 Act). This consultation has arisen from a Law Commission report which recommended a 10 year review cycle. The consultation indicates that DCMS is broadly in favour of retaining the current thresholds to avoid confusion and maintain the current level of scrutiny, seemingly despite the Charity Commission's diminishing resources. The [consultation](#) is open until 12th June 2025.



Tip of the Month

May is an opportune time to review your procedures for engaging contractors and other off payroll workers to ensure that they are aligned with the correct set of rules, whether you are a small company (or have just become one under the new rules) or you are a medium or large company. This is a tricky area and getting a good process in place is key to managing your risk.



Future Events

Don't miss out on our upcoming events, register now!

Expert Insight Session - 10th June 2025

Socrates Socratous will deliver our next Expert Insight session on 10th June. He will give a VAT update, but will focus on non business, and, in particular, the standard [letter that a number of small charities received](#) at the start of this year from HMRC on this topic. Soc is a well-known speaker and long-time friend of CTG. Having started his career at HMC&E, Soc joined the profession in 1990 and worked for both Crowe and PWC before running his own VAT consultancy for 15 years. Since 2018 Soc has been a partner and Head of the VAT consultancy Team at Buzzacott, specialising in charity and not for profit organisations. [You can book to attend the session here](#)

Charity Member Only events

We are excited to announce the dates for our next charity members only events. Meeting links have already been sent to our Charity members via email. If you are a charity member and have not received it, please contact us.

- **VAT Practical Issues Working group meetings:**
 - Tuesday 27th May at 4pm
- **Gift Aid Practical Issues Working group meetings:**
 - Thursday 29th May at 4pm

Observer Member Meetings

Save the date in your diary and look out for **booking links which will be sent direct to your inbox later this month.**

- Thursday 26th June at 3pm and 4pm

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

[Expert Insight Recordings](#)

[Previous newsletters](#)

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

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