

The Rt Hon. Rishi Sunak MP  
Chancellor of the Exchequer  
HM Treasury  
1 Horse Guards Road  
London SW1A 2HQ



19 March 2020

Dear Chancellor

### **Support for charities through the tax system during the COVID-19 pandemic**

Like all businesses, charities are facing major disruption due to the COVID-19 pandemic. Charity offices are being closed, impacting on communication with staff and beneficiaries and the delivery of key charitable services and support functions. Charity income is also under severe pressure, particularly now that they have been advised to avoid public fundraising for the foreseeable future. Charities need Government support to be able to continue their valuable contribution to society at the time when it is most needed.

Charities are embracing technology and digital communication to ensure business continuity and it is vitally important that the tax system is flexible and does not prove an obstacle to maximising the effectiveness of charity fundraising and service delivery. We ask that you immediately accept the six practical proposals we put forward below to simplify charities' interaction with the tax system and to unlock important tax reliefs for charities at a time when cashflow is under serious strain.

1. Allow Gift Aid on donations arising from allowing charities to keep payments originally made for cancelled events/loans etc
2. Provide urgent confirmation that Gift Aid can be claimed on donations received by charities through Facebook (and similar operators)
3. Confirm simplified audit processes for Gift Aid on text/SMS donations
4. Confirm that no HMRC action will be taken to collect VAT on digital advertising by charities during the crisis
5. Extend the Expanded Retail Discount to all charity properties to ensure 100% business rates relief for the year 2020/21
6. Confirm flexibility over tax deadlines and tax administration

CTG representatives would be happy to arrange a call or virtual meeting with HM Treasury and HMRC officials to discuss these proposals in further detail and additional briefing and background information on each of the proposals is included below.

Yours sincerely

A handwritten signature in black ink, appearing to read "John Hemming".

John Hemming  
Chairman

## The voice of charities on Tax

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## Support for charities through the tax system during the COVID-19 pandemic

### 1. **Allow Gift Aid on donations in lieu of cancelled events/debts etc**

On an exceptional basis, for the duration of the coronavirus crisis, HMRC should allow Gift Aid to be eligible on any refund donated to charities in lieu of cancelled tickets or debts not to be collected. While Gift Aid would not ordinarily be eligible on such gifts this would help to recognise the generosity of the British public and incentivise them to not seek refunds from charities, which are already struggling with cashflow issues. The amount being gifted is clearly a donation and freely given and no benefit is being granted to them as the event has been cancelled. There is precedence for such a mechanism through the Retail Gift Aid scheme and this would be a quick and effective measure in support of charities and donors.

### 2. **Provide urgent confirmation that Gift Aid can be claimed on donations received by charities through Facebook (and similar operators) to unlock millions of pounds for the sector**

Facebook Donate allows people to donate directly on social media pages. Given the generosity of the British public and the exceptional circumstances the country currently faces (including remote working, financial and social hardship and limits on social interaction), we anticipate that there will be an increase in digital donations via Facebook, which will be vitally important for many charities which are facing a reduction in income from traditional fundraising sources. Donors are able to claim Gift Aid on eligible donations and Facebook then makes the Gift Aid claim information available to the charity to make the claim. However, there has been uncertainty as to whether HMRC would agree the claims due to concerns about how charities could satisfy the HMRC audit process. Having reviewed the data received by charities, CTG believes that these concerns can be assuaged and that HMRC should confirm immediately that Gift Aid is permissible on these donations. Millions of pounds of potential Gift Aid claims are currently being held up.

### 3. **Confirm simplified audit processes for Gift Aid on text/SMS donations to unlock millions of pounds of tax relief for charities**

Gift Aid claimed on text/SMS donations has traditionally been lower than from other fundraising channels, due to practical issues relating to Gift Aid claims and the associated audit trail. CTG was therefore pleased to support the work by the Association for Interactive Media and Micropayments (AIMM) in its discussions with HMRC, in 2016, to reach an agreement on a Gift Aid process that would satisfy compliance requirements. Unfortunately, HMRC officials recently decided that this guidance, needed to be reviewed again before it could be shared with a wider charity audience. CTG calls on HMRC to urgently authorise the release of this guidance (which is drafted and ready to be circulated) and to confirm that the audit processes outlined are acceptable. We believe that this measure should not be limited to the current crisis, but it would be a very useful way to ensure the maximum value of text/SMS donations. As with Facebook donations, we expect that these types of donations will increase as more people work from home and there is no public fundraising.

4. **Confirm that no HMRC action will be taken to collect VAT on digital advertising by charities during the crisis and urgently review the current position that such advertising is subject to VAT at the standard rate**

The supply of advertising to a charity is VAT free. However, HMRC has recently indicated that it wants to exclude social media advertising from this charity zero rate, on the basis that it targets individuals by a digital address. HMRC is now starting to raise assessments to recover VAT from some agencies. This is being passed on to charities and amounts to millions of pounds of irrecoverable VAT. CTG is calling on the Government to suspend any such assessments during the crisis, given the pressures charities are currently facing on their cashflow and reserves. In practice, charities had begun to reduce their spend on advertising as result, but this may need to change in the light of the current crisis, to both generate funds online (with public fundraising restricted) and share information with their beneficiaries, to support them during periods of isolation (including, for example, to provide support for people's mental health and how to access supplies).

CTG has obtained a legal opinion from leading counsel which agrees that there is a strong case for a less restrictive interpretation of the existing legislation, allowing VAT zero rating on social media advertising without any change in the law. The view taken by HMRC is a strict and restrictive interpretation of the law. By restricting the relief in this way, HMRC is essentially taking away a major part of the advertising VAT zero rate, approved by Parliament to relieve charities of VAT on their advertising costs.

5. **Extend the Expanded Retail Discount to all charity properties in England to ensure 100% business rates relief for the year 2020/21**

The Government has announced important business rates relief for the retail, hospitality and leisure sectors. This will ensure full business rates relief for charity shops, which are facing acute challenges going forward, given the lack of footfall on the high street. Charities currently benefit from 80% mandatory business rates relief, in recognition of the value they provide to society. However, they still pay over £400m a year in business rates, in England, according to the latest published statistics. Local authorities have the discretion to extend this to 100% relief, but, due to restrictions on their budgets, this is only implemented in a limited number of cases at present, and on a patchwork basis. Even though many charity workers are now working remotely, charities, like businesses in other sectors, continue to have fixed property costs and this additional relief would provide important cashflow benefits.

6. **Confirm flexibility over tax deadlines and tax administration**

Many charities have 31 March year ends and this creates key deadlines for Gift Aid claims, VAT and corporation tax, plus the transition to Making Tax Digital and the requirement to implement digital links. Given the unprecedented circumstances that we find ourselves in with the coronavirus we would ask HMRC Charities for flexibility where deadlines are not met due to the complications of necessary changes in working practices as a result of plans to combat the outbreak. Additional guidance from HMRC on timelines and reporting and compliance requirements would also provide reassurance to charities at this difficult time.