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The Charity Tax Group Newsletter

April 2025 Edition

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

As the tax year has drawn to a close, the Finance Bill received Royal Assent at the end of March. As expected, the new National Insurance Regulations Bill for the increase in employers' contributions did not contain any last-minute reprieve for charities. This month we also see changes to the tax treatment of 'double cab' vehicles (vans with a row of seats in the back) used by many charities. Thus, keeping in line with a rural theme, we consider the possible implications of the biodiversity units and credits which will form an important source of income, and obligations, for some charities.

Best Wishes,
Richard Bray, Chair CTG



Latest News

NI Regulations for the increase in employers' contributions

The increase in Employers' NI contributions is a very difficult change for many businesses but is particularly severe for charities who are rarely able to raise revenue to cover these costs and so are faced with

trimming services instead. [The House of Lords](#) recognised this and has put forward many suggested amendments to the Government to ameliorate the impact on those organisations providing healthcare and keeping pressure off the NHS, but it seems that the Lords' efforts were in vain and the [NI regulations](#) have been enacted as originally intended by the Government.

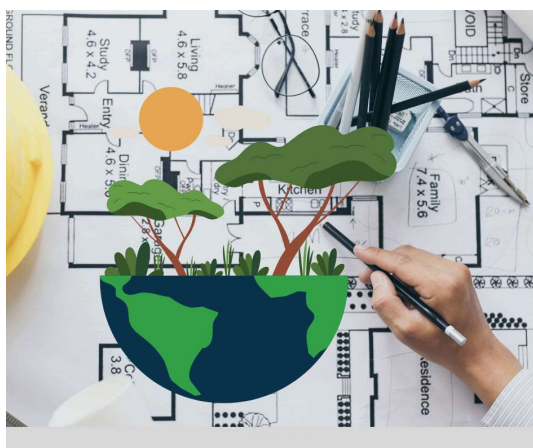


Double cabs are now cars (for some purposes)

We know that providing company cars is not at the top of any charity's list, but many charities involved in managing the natural environment do use their own vehicles. We are therefore highlighting a change in HMRC [guidance](#) on the benefits in kind associated with double cab pick ups (or DCPUs). In line with that guidance, such vehicles will now be treated as cars instead of vans following a Court of Appeal ruling [Payne & Ors (Coca-Cola) v R & C Commrs (2020) (BTC19)]. This will apply for any new vehicles ordered from April 2025, or any vehicles purchased before that date but still owned as at April 2029.

It is important to note that the new treatment impacts Benefits in Kind and Capital Allowances, but not VAT or [Vehicle Excise Duty \(VED\)](#), where the rules remain unchanged. Payload over 1 tonne being a van for VAT purposes ([VIT56600](#)). This is important for charities who are entitled to a full VAT refund on these vehicles.

Many charities will treat these as pooled vehicles which means that there is no benefit in kind regardless of whether they are classified as vans or cars. However, given the uptick in benefit in kind, it may be worthwhile reviewing usage to check that you are still complying with the [requirements of pool vehicles](#). Where charities are looking to order new vehicles which qualify as vans for benefit in kind purposes, [HMRC's guidance](#) indicates that they consider that if a vehicle has side windows behind the driver and passenger doors, it is still a car, even if there are no back seats. So, if relying on a new vehicle being treated as a van, a belt and braces approach is to ensure that there are no back windows or seats fitted.



Biodiversity net gains (BNG) a levy with tax issues

We have received a number of queries about BNG. For those not familiar with the topic, BNG means that property developers have an obligation to ensure that habitats for wildlife are left in a measurably better state than they were before the development.

In England, BNG is mandatory as part of the planning process and the amounts

involved can be significant. Developers have the option to improve their own site(s), work with a third party, or as a last resort buy credits from DEFRA. It is likely that many charities will be involved in BNG as providers and managers of suitable habitat, and so CTG is planning to work with HMRC to ensure that they update their guidance to minimise confusion around tax treatment of this income stream. Because a BNG contract lasts for 30 years, our Chair is also working with the ICAEW Charities Committee to confirm the accounting treatment of the income stream and costs.

An HMRC delay - and an in-eligible body

In our tax case round up this month, we have picked out two cases. The first does not concern a charity but it is of interest to members who are experiencing delays with HMRC. In this case, *Sammy Garden Ltd v HMRC* [2025] UKFTT 274 (TC), HMRC had been glacially slow in processing an application for VAT registration. The taxpayer had assumed that they did not need to charge VAT until their registration came through. Whilst the FTT sympathised with the taxpayer, they had to impose the statutory time limits for charging VAT, resulting in a substantial bill for the taxpayer. This shows that relying on poor service levels from HMRC is no excuse for non-compliance.

Our second case will be of interest to those charities providing education and relying on the exemption in schedule 9. The [Upper Tribunal](#) agreed once again with the HMRC that St Patrick's College and Others were not eligible bodies, and so could not exempt their supplies of education. The case is very fact specific but is worth a read.



Consultations

Just in time for the next round of consultations, CTG has now submitted a response to the discussion paper on "[Transforming Business Rates](#)". As this was a high-level consultation, the key themes we picked up were around the need to maintain charitable reliefs, offer certainty to charities, and seize the opportunity offered through digitalisation to improve the process of applying for charity rates reliefs. You can find our response [here](#).

New consultations have been launched on a range of topics including one aimed at offering more certainty for taxpayers and reducing fraud and error with an [advance clearance service for R&D claims](#). Other consultations focus on reducing the [somewhat stubborn] tax gap including: [penalties for failure to disclose tax obligations to HMRC](#), [tackling tax advisers who facilitate non-compliance](#), and [closing down promoters of tax avoidance](#).



When green taxes do what they're supposed to do

Staying with the consultation theme, for those of our members north of the border, The Scottish Government is consulting on the future of the [Scottish Landfill Communities fund \(SLCF\)](#) which is funded through Scottish Landfill tax. Whilst the current scheme has been very successful, especially in supporting community amenities, the success of environmental and tax policies in driving the 'right behaviours' means that the fund's revenues are declining to the point of unsustainability by 2026-27. The consultation wants views on the different options including closing the fund, increasing co funding, changing the regulation and administration, or finding alternative funding arrangements. The consultation runs until 6 June 2025



Tip of the Month

Qualifying investments - Don't just tick the box...

Not many people are aware, but the CT600E, charity corporation tax return, requires the signatory to 'tick a box' (E180 Qualifying investments and loans) to confirm that all the charity's investments are qualifying. In some ways the effort

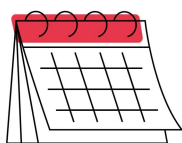
required to 'tick a box' is disproportionate to the work that should go on behind the scenes before that happens.

This month's Expert Insight Session on qualifying investments is led by Nathan Maguire from BDO and he has also provided our Tip of the Month:

Approved charitable loans and investments are an important area which can be easy to overlook. There are a number of prescriptive types of charitable investment (e.g. interest in land which is not held as a security or guarantee for a debt, shares listed in a recognised stock exchange or Open Ended Investment Company, and units in a Unit Trust scheme) but a lot of investments made by the charity will be known as "Type 12" charitable investments i.e. any loan or investment made for the benefit of the charity and not for the avoidance of tax.

Charities should be comfortable that they can evidence that their Type 12 loan and investments have been made for the benefit of the charity either financially or in respect of achieving the charity's objects (or both). Charities should be reviewing their Investments and Loans on a regular basis to ensure they continue to meet the criteria. Currently it is anticipated that from April 2026 (although legislation has not yet been published), all types of charitable loan and investment will need to meet the conditions that the investment/loan is made for the benefit of the charity and not for the avoidance of tax and charities should be reviewing their investment portfolios with this in mind.

This is an area we have seen successfully challenged by HMRC and can be extremely costly, with failures resulting in a loss of charitable exemptions up to the value of the non-charitable investments. This in turn can result in a significant tax charge.



Future Events

Don't miss out on our upcoming events, we have a number of informative sessions planned in the coming months.

Expert Insight Session - Today at 4 - last chance to book!

Tuesday 8th April at 4pm - Approved Charitable Investments, presented by Nathan Maguire, a Senior Tax Manager with BDO. **Register now:** click the [registration link](#) to sign up.

Charity Member Only events

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

- **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 dates 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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Charity Tax Group | 7/8 Avon Reach | Monkton Hill | Chippenham | SN15 1EE

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