

PRIVATE AND CONFIDENTIAL



# CTG - Expert Insight Session - Corporation Tax returns

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# Charity tax return

Charity tax returns are required to be filed in two instances

- Receipt of a notice to file – Form CT603; or
- The charity has taxable income or gains NOT covered by an exemption or relief.

Charity corporation tax returns contain:

- Form CT600; and
- Form CT600E.

Part 10 Income Tax Act 2007 for charitable trusts, and Part 11 Corporation Tax Act 2010 for charitable companies.

HMRC manuals: CTM40000

# CT600

- Assess if any taxable income falls under the small trading limit of £80,000 as per Chapter 3, Part 11 CTA 2010 (limit less for smaller charities).
- Identify income and profits generated from 'non-primary purpose' trades.
- Identify any taxable miscellaneous income.
- Identify non-charitable expenditure on primary purpose income streams.
- Identifying gains on disposals of land and property where certain criteria are not met.
- Identifying cultural sector tax reliefs for example, Museum and Galleries Exhibition Tax relief
- Consider the use of loss relief claim on non-primary purpose trade that has been made on a commercial basis.

# CT600E

- The supplementary pages of the CT600 which is specific to charities – only 3 pages.
- Page 1 – Charity information, claim to exemptions and declaration page.
- Box E20 or E25 must be completed in order to identify whether there is taxable income or if all is exempt (important)
- Page 2 Include the exempt income not allocated to the CT600, within the relevant box E50-E85.
- Also include the exempt expenditure not allocated to the CT600, within the relevant box E95-E120.
- Page 3 Include the details of the assets held at the balance sheet date
- Includes assets and investments on the balance sheet within boxes E135-E175 and consideration received for the disposal of assets and investments.
- Qualifying and non-qualifying investments (box 180 claim for qualifying)
- Disclosure for subsidiaries and/or associated companies controlled.
- Does not ask for details of capital gains for which exemption is claimed.

Enter details of any income received from the following sources, claimed as exempt from tax in the hands of the charity/CASC. Enter the figure included in the charity's/CASC'S accounts for the period covered by this return.

Non-exempt amounts should be entered on form CT600 in the appropriate boxes.

Type of income	Amount
Enter total turnover from exempt charitable trading activities	E50 £ 1 5 8 5 1 4 7 1 . 0 0
Investment income - exclude any amounts included on form CT600	E55 £ 2 9 4 8 9 . 0 0
UK land and buildings - exclude any amounts included on form CT600	E60 £ 8 7 9 5 6 . 0 0
Gift Aid - exclude any amounts included on form CT600	E65 £ 1 8 0 5 5 3 . 0 0
From other charities - exclude any amounts included on form CT600	E70 £ . 0 0
Gifts of shares or securities received	E75 £ . 0 0
Gifts of real property received	E80 £ . 0 0
Other sources (not included above)	E85 £ . 0 0
<b>Total of boxes E50 to E85</b>	<b>E90 £ 1 6 1 4 9 4 6 9 . 0 0</b>

Enter details of expenditure as shown in the charity's/CASC's accounts for the period covered by these supplementary pages

Type of expenditure	Amount
Trading costs in relation to exempt charitable activities (in box E50)	E95 £ 1 3 3 9 8 0 3 8 . 0 0
UK land and buildings costs in relation to exempt charitable activities (in box E60)	E100 £ . 0 0
All general administration/governance costs	E105 £ 5 7 4 7 9 . 0 0
All grants and donations made within the UK	E110 £ . 0 0
All grants and donations made outside the UK	E115 £ . 0 0
Other expenditure not included above, or not used in calculating figures entered on the form CT600	E120 £ 2 3 2 5 1 4 . 0 0
<b>Total of boxes E95 to E120</b>	<b>E125 £ 1 3 6 8 8 0 3 1 . 0 0</b>

# Pro forma workbook

	Charity	Turnover from exempt trading activities	Investment income	UK land and buildings income	Gift aid or Millennium gift aid	Other charities income	Other sources	Trading costs	UK land and buildings costs	All general admin costs	UK grants and donations	Other expenditure	CT600E	CT600	Difference	Notes
<b>Charity Return Reconciliation Year ended 31 August 2022</b>		E50	E55	E60	E65	E70	E85	E95	E100	E105	E110	E120				
<b>I&amp;E account</b>																
<b>Income from:</b>																
School fees receivable	14,923,183	14,923,183											14,923,183	0	0	
Other educational income:																
Entrance and registration fees	139,112	139,112											139,112	0	0	
Courses and sub-lettings	137,050												0	137,050	0	3
Other ancillary trading income:																
Insurance commissions	27,210	27,210											27,210	0	0	
Uniform shop	85,084	12,762											12,762	72,322	0	4
After school club	37,103	37,103											37,103	0	0	
School accommodation	7,810			7,810									7,810	0	0	
Events	35,686	35,686											35,686	0	0	
Sports Centre Annual Licence	25,000			25,000									25,000	0	0	
Investment income	9,851		9,851										9,851	0	0	
Donations	144,533				144,533								144,533	0	0	
	15,571,622															
<b>Expenditure on:</b>																
<b>Charitable activities:</b>																
School operating costs	13,850,442							13,735,177					13,735,177	115,265	0	4
Loss on disposal of fixed assets	146,249												0	0	146,249	5
Depreciation and amortisation	1,299,060												0	0	1,299,060	1
<b>Raising funds:</b>																
Other trading expenditure	75,917												0	75,917	75,917	3
School financing costs	110,884									110,884			110,884	0	0	
	15,482,552															
Net gain on investments	(12,262)												0	0	(12,262)	2
Net incoming resources	76,808															
Brought forward funds	23,696,938															
Funds balance at 31 August 2022	23,773,746	15,175,056	9,851	32,810	144,533	0	0	13,735,177	0	110,884	0	0	29,208,311	18,190		

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# Pro forma workbook

		TFA disposal consideration	TFA NBV	Non-controlled UK investments disposal consideration	Non-controlled UK investments BV	Controlled UK investment disposal consideration	Controlled UK Investment BV	Overseas investments	Loans and non trade debtors	Other current assets	CT600E	Difference	Notes
		E130	E135	E140	E145	E150	E155	E165	E170	E175			
<b>Charity Return Reconciliation</b>													
<b>Year ended 31 August 2022</b>													
<b>Balance sheet</b>													
Intangible assets	2,963										0	2,963	1
Tangible assets	29,313,084		29,313,084								29,313,084	0	
Disposal proceeds	11,250	11,250									11,250	0	
Investments	213,233				96,424		1	116,808			213,233	0	2
Investment disposal proceeds	23,620					23,620					23,620	0	
Stock	108,015									108,015	108,015	0	
<b>Debtors</b>													
School fees	41,900									41,900	41,900	0	
Prepayments	472,289									472,289	472,289	0	
Other debtors	3,602									3,602	3,602	0	
	517,791												
Cash at bank	2,501,387									2,501,387	2,501,387	0	
Creditors <1 year	(3,859,971)										0	(3,859,971)	3
Creditors >1 year	(5,022,757)										0	(5,022,757)	3
	23,773,745	11,250	29,313,084	0	96,424	23,620	1	116,808	0	3,127,193	32,688,380	(8,879,765)	

# Key issues

## 1) Property letting activity

- It can be difficult to establish whether property letting activity is property rental (Box E60) or trading (Box E50).

## 2) Box E65 – Gift Aid

- Most donations are exempt income and could be eligible for Gift Aid and included within E65.
- However, donations from other charities should be within box E70.
- **[Which figure to include?]**
- Gifts from company are NOT Gift Aid – should go to other sources (Box E85)

## 3) UK vs Non-UK investments

- Identify the split between non-controlled UK and overseas investments.
- Usually, financial statements will not provide split, and an investment report is required.

# Key issues

## 4) Shares in and loans made to controlled companies and non-qualifying investments and loans

- Approved share capital and loans to controlled companies included in Box E155. *[When should an amount owed by a subsidiary company be included here? Normal working capital balances v formal loan arrangement.]*
- S.511 and S514 within CTA 2010 provides detail on investments and loans that qualify as charitable expenditure.
- Inter-company balances should be included in loans and non-trade debtors (Box E170), except debtors in relation to an exempt trade.

## 5) Loans approved by s.511 and s.514

- If all investments and loans meet these conditions, E180 must be completed.
- If any non-qualifying loans and investments, E185 must be completed.
- Rare but likely to result in tax liability.

## 6) Fixed asset disposals

- Proceeds figure usually found in cash flow statement in charity financial statements.

<b>Charity/CASC assets</b>	
<u>Disposals in period (total consideration received)</u>	
E130	Tangible fixed assets
E140	UK Investments (excluding controlled companies)
E150	Shares in, and loans to, controlled companies
E160	Overseas investments



# Key judgements and anomalies

## 1) Inter-company recharges

- Should be shown as other sources (Box E85) on the basis it is a cost sharing arrangement.

## 2) Royalties

- Royalties have historically been placed in either E50 or E85, it is a key judgement to make dependent on the charity.

## 3) Grants (Income)

- It is likely that grants will be placed in E50, it is important to look for grant income being included as a negative in the expenditure. This should be placed in E50. Make sure it is added to the E50 total.

## 4) Grants (Expenditure)

- Grants included in expenditure should be placed in E110 if made in the UK, or in E115 if made outside the UK.

# Key admin points

## 1) Small charities

- Combined income of charity and subsidiaries below £6.5m.
- File PDF version of signed financial statements instead of iXBRL tagged accounts.

## 2) Large charities

- Companies Act or the Co-operative and Community Benefits and Societies Act.
- Combined income of charity and subsidiaries above £6.5m.
- Required to provide iXBRL tagged financial statements.

## 3) Charities incorporated by Royal Charter or Act of Parliament

- File PDF version of signed financial statements instead of iXBRL tagged accounts.

## 4) Charitable trusts

- File PDF version of signed financial statements instead of iXBRL tagged accounts.

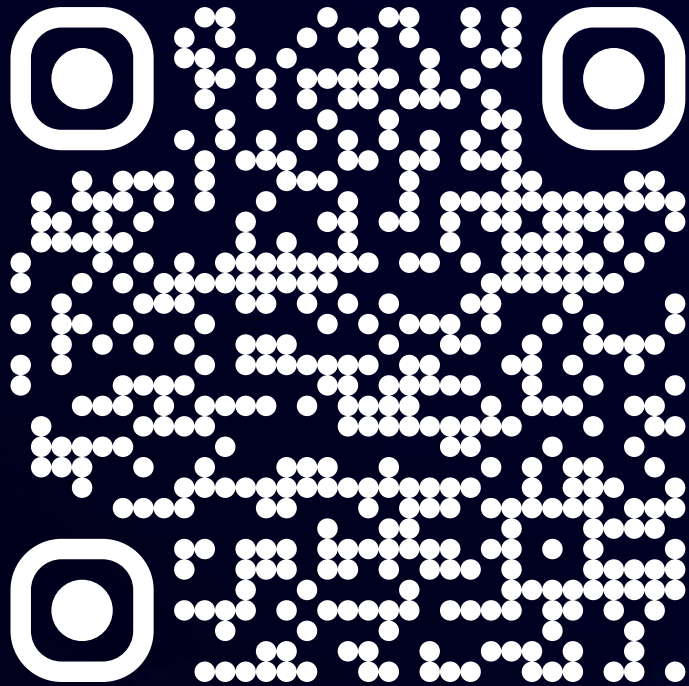
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