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charity tax group

The Charity Tax Group - Newsletter December 2024

Charity begins at home....

Last week saw two significant milestones for CTG. First, I am very pleased to be able to tell you that our application to be a charity has been approved by the Charity Commission. Huge thanks go to Wrigleys who have unstintingly helped us in this endeavour. The second milestone was our annual conference which was held in London. This was our first in person event since COVID and we were very pleased to welcome and meet many of you there.

We had a good range of speakers presenting a mixture of technical and practical advice on subjects which are of immediate interest to charities. We were particularly pleased to welcome senior staff from HMRC who actively and openly engaged with members. It was of course good to hear from them how much they value the formal and informal interaction with CTG.

For those who couldn't make it to the conference and for those who did, but who might like a reminder, we have set out below some highlights and key points which we took away from the HMRC session.

Richard Bray, Chair, CTG

Key points from the HMRC presentation
We were pleased to welcome Mark Pickard, Darren MacDonald and Tony Johnson from HMRC. HMRC want to modernise and improve the experience for taxpayers including charities. This includes improved guidance and a programme of education and upskilling. CTG and charities working together have a role to play in this in providing feedback to HMRC and highlighting issues of concern or where more clarity is needed. HMRC have welcomed working collaboratively with CTG on a number of points and look forward to continuing this relationship.

Unsurprisingly, one of HMRC’s aims is to ensure that taxpayers, including charities, pay the right amount of tax. This involves helping charities to avoid mistakes in their returns and claims, but there is also a strong focus on preventing the abusive use of charitable reliefs by bad actors.

As part of their presentation, HMRC walked us through common errors which charities make in submitting gift aid claims and tax returns and these are worth repeating for everyone’s benefit.

Errors on submission of forms

- Records not kept up to date – we need to know who is authorised and where you are registered
- Invalid donor names/addresses entered on claim schedule

- Tax returns left blank/not signed
- Accounts not uploaded or in the wrong format
- Not attaching a CT600E (the corporation tax return for charities) to the Corporation tax return
- Not attaching an SA907 on the return for Estates and Trusts.

Errors which can lead to a tax liability

Gift aid issues:

- No evidence of receipt of donation
- Invalid Gift Aid Declaration
- Payment not received from an Individual (e.g. payment is made from a company owned by the individual)
- Payment is a payment for a service and not a Gift (charities should check that the payment really is a donation and that the donor benefits rules have not been breached).
- Records not kept for aggregated donations – need a GAD and audit trail for every entry on a claim schedule).

Note: HMRC publish guidance on the gift aid claim process which can be found [here](#).

Other tax issues:

- Payments made to connected parties that are not at arms-length
- Failure to keep adequate records to support charitable application of funds sent to overseas jurisdictions

We had also asked HMRC to explain what they thought the characteristics of a good taxpayer were. The bullet points from their slide on this are below.

- **Compliant** – with charity and tax law, pay the right tax at the right time
- **Accountable** – complying with tax return and accounting reporting obligations
- **Diligent** – Assess the risks for your charity and take advice where needed

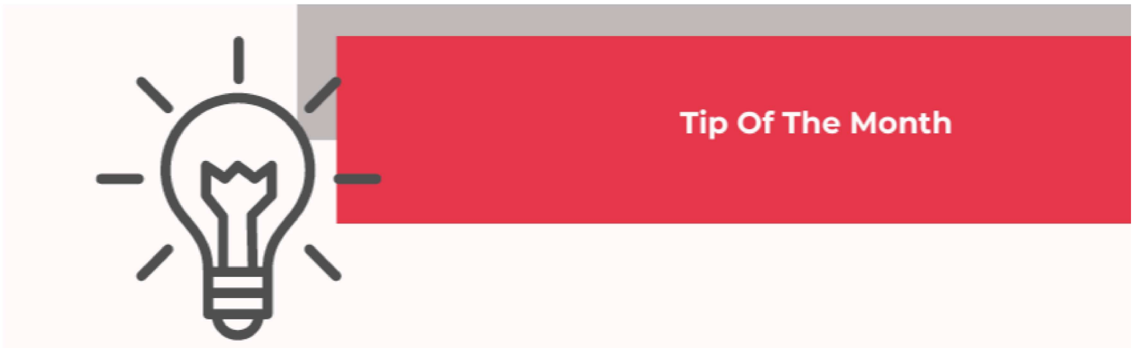
- **Responsible** – Operate appropriate financial controls and policies to reduce the risk of error/mistake/fraud. Good record keeping is key!
- **Helpful** – offer information to HMRC officers when requested and be transparent about any errors or mistakes that you are aware of

CTG comment
Our thoughts on this are that it is worth all charities putting some time aside to think about these characteristics and ask 'how closely do we fit this description?' Tax is often a burden to the sector, and even if there is no tax to pay, there is still work to do to prove that you are entitled to the various reliefs available. You can certainly remove some of that burden through good processes, maintaining good records, and ensuring that your tax affairs are in order. HMRC made a very good point that there is an overlap between how you behave as a taxpayer and how closely you follow charity law. If you are compliant with charity law, you are likely to be compliant with tax law as many of the tax reliefs are dependent on your income being applied for charitable purposes only.

A brief update on stamp duty land tax on incorporation or merger
These will only affect a small number of charities, but it is a useful point to be aware of if you are one of those. Back in September, CTG were contacted by a solicitor who was concerned that some of his clients were incurring substantial costs in completing the land tax forms on incorporation or merger with another charity. The transfer of property needs to be reported, but there is (normally) no tax to pay. However, each property requires its own form and each form requires a valuation of each property. If you have a lot of properties then that requires a lot of time and cost, especially if an external valuation is required.

Following a discussion with CTG, HMRC have now updated their **guidance** to explicitly state that the valuation does not need to be based on professional advice which will be welcome news for those engaged in such transactions.

For transactions involving more than one property, there is a simplified form (SDLT 3) for each additional property and if you have more than 100 properties, then you are able to submit them in a schedule. The guidance on this is [here](#).



Tip of the month - Who signs the Gift Aid claim?

Before HMRC will pay a gift aid claim, they will check that the person signing the claim is an authorised person. A significant proportion of claims are rejected because the name on the claim does not match with the name of the authorised individual held by HMRC. This is usually due to turnover of staff and /or trustees.

Make sure that you know who is registered with HMRC as the authorised person and if that person moves on, then update the details as soon as possible. Otherwise, gift aid claims will be rejected and whilst this can be fixed, it can cause long delays before the charity will get the gift aid repayment and causes more work for both HMRC and the charities involved.

Expert Insight Session further information

Many of you will have joined November's expert insight session led by RSM UK's Tax Director, Andrie Kazamias on Corporation Tax returns.

This session discussed the preparation of charity tax returns and the challenges faced by many charities. Given that going forward there will be an increased focus by HMRC on charities in improving charity compliance, what was apparent from this session is that there is an obvious need for clearer HMRC guidance.

This is especially important given HMRC's plans to extend the definition of "fit & proper persons" to include a person who persistently fails to comply with tax obligations such as ‘timely filing of returns’ and the consequence of failure which could lead to the loss of a charity’s tax exemptions.

A link to Andrie’s slides from this session and RSM’S responses to the many questions raised in the Q&A session can be found **here**.

Are you missing out on relief from withholding tax on investment returns?

As times become more challenging for all charities, it is important that we maximise our income streams. Where charities hold investments through a fund manager, it is possible that the income received is suffering from overseas withholding taxes (WHT). WHT is a deduction at source from income paid out by banks or funds (similar to the income tax deduction at source that you used to see on your bank account).

Although some fund managers assist with minimising the amount of WHT, in many cases charities are not getting this service. Completing the claim forms is complex, and so professional help is usually needed. Although this comes at a cost, in many cases it can be quite economic so it may be worth you contacting your professional advisers to discuss this.

Alternatively, one our members, Louise Hillman from the Medical Research Foundation, would like to explore collaborating with other charities who receive investment income and would be interested in working with their fund managers and professional advisers to minimise WHT on their investments. CTG and Louise plan to host a working group meeting in the New Year to kick this off. If you are interested in participating, then please **get in touch**.

Future events - Dates for your diary

We are looking forward to our programme of events for 2025. Details of those taking place early next year are:

Working Groups

Gift Aid Practical Issues working Group

- **Tuesday 28th January at 4pm**

VAT Practical Issues Working Group

- **Thursday 27th February at 4pm**

Charity members of these groups will receive their invites to their respective events shortly. Keep an eye on your inbox.

January Expert Insight Session

- **Wednesday 23rd January at 4pm** with Tom Gilbert and Scott Harwood from RSM. They will be talking about how thinking about Tax Technology now will reap future rewards in achieving compliance with new regulations and improving business processes. You can book for this session here.

February Expert Insight Session

- **Wednesday 26th February at 4pm** with Siobhan Waters, an Employment Tax Manager at BDO. With the increases to National Living and NMW coming into force this April, Siobhan Waters will explain what employers need to do to comply with NMW and in particular the wider implications and additional risks that come with the increased rates. **If you're interested in attending please set aside the date in your diary, booking details will be in our January Newsletter.**

Observer Member Meetings (Observer members only)

- **Thursday 27th March at 4pm**

Observer members will receive their invites to this event in the new year. Keep an eye on your inbox.

Holiday Greetings

We hope you enjoy your break over the holidays and we will see you in 2025.

There are a lot of exciting things happening at CTG and we cannot wait to share them with you.

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