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## CHARITY TAX GROUP NEWSLETTER - JULY 2024

### **New beginnings**

In this newsletter, we are covering a number of points which can conveniently be grouped under the heading of new beginnings.

CTG welcomes the opportunity to work with a new team of ministers and to explain to them how tax impacts the charity sector. We are working to make sure that we are ready to talk to the incoming Government about our priorities and the ways in which the new Government can provide practical support for charities through the tax system. As always, we will be keen to ensure that some positive current initiatives, such as the Future of Gift Aid project, do not fall by the wayside, and we will continue to be active in representing your interests.

**Richard Bray, Chair, CTG**

### **A new government**

As the Polls predicted, it came as no surprise that the Labour Party won the election with a substantial majority. So, what, if anything, did the Labour Party say about charity taxation and what changes do we think might impact charities?

There are some key themes and points from the manifesto which will be of interest. These fall under the following broad headings:

[Fiscal discipline](#)

[Certainty and an end to chaos](#)

[Modernisation of HMRC](#)

[Replacement of business rates in England](#)

[Fee paying schools](#)

[Helping people with disabilities into work](#)

## [Enhanced employee rights](#)

Click on any of the items above to read more about each point, or simply read on through to the end.

Whilst it is clear that the commitment to fiscal discipline will reduce scope for any unfunded wholesale removal of charities from the scope of taxation, that does not mean to say that we cannot continue to make the case for specific reliefs tied to the considerable economic benefits delivered by the charity sector.

Taking certainty, an end to chaos and modernisation together, we certainly believe that we have strong cases to make to encourage the Government to look at simplification of the complicated web of tax rules that charities navigate and to improve returns and forms and the processes for submitting them.

A common theme will be trying to ensure that modernisation of business rates, reducing tax avoidance and removing the VAT exemption from private schools do not come with any unintended consequences or added compliance for our members.

### **A new team**

We welcome Davina Goodchild who is supporting us with change management and strategy. Davina is an independent consultant with around 35 years' experience of working in the voluntary sector, 18 as CEO.

We will also be drawing upon the services of Big For Tax Ltd to provide technical insight and support through Kerry Sykes and Harriet Latham. Both are very experienced practitioners in the charity sector with over 50 years of dealing with charity tax in all its guises.

Please do continue to e-mail us with your ideas, thoughts and problems at [info@charitytaxgroup.org.uk](mailto:info@charitytaxgroup.org.uk)

### **A new schedule of events**

Once the heat of the summer and the excitement of elections is over, we will be starting a new programme of events. Two upcoming events are the ever-popular practical issues sessions on Gift Aid and VAT:

Gift Aid Practical issues working group – 24<sup>th</sup> July @ 4pm

VAT Practical issues working group – 25<sup>th</sup> July @ 4pm

Joining details will follow shortly, but in the meantime please do let us know if you want to add anything to the agenda.

Look out for invites to expert insight sessions in the last quarter of the year on Business Rates, improving taxation for people with disabilities and wading through the complexities of charity tax returns.

We are also working on a programme for a winter charity tax conference and a series of short training sessions covering the basics, and there will of course be further Practical issues group meetings in September.

### **A new agenda?**

With new beginnings, it is vital that we are batting for and with our membership. In the next few weeks, we will send a poll to all members to get your views on how we should develop our strategy, and how we can make the biggest impact in supporting you with your tax concerns.

Look out for the email and tell us what is worrying you, what we can help you with and what you think our focus should be.

### **Fiscal discipline**

What does the manifesto say?

“Labour’s fiscal rules will operate on the basis that the current budget moves into balance, so that day-to-day costs are met by revenues, and that debt must be falling as a share of the economy by the fifth year of the forecast”

“Our fiscal rules are non-negotiable”.

“We will strengthen the role of the Office for Budget Responsibility. Every fiscal event making significant changes to taxation or spending will be subject to an independent OBR forecast.”

What is the impact on charities?

Labour’s commitment to strong financial discipline means that whilst we will continue to campaign for structural change that will benefit charities, it is unlikely that there will be any sweeping changes which, for example, remove charities entirely from the scope of taxation. But there are

nonetheless important changes which can be made. We will need to support any bids for substantial change with a business case which takes into account the wider economic benefits of the valuable work done by charities.

How can you contribute? With a new team in charge this is a golden opportunity to continue to campaign for real change. What is on your wish list(s) for change in charity taxation?

### Certainty and an end to chaos

What does the manifesto say? “Labour will cap corporation tax at the current level of 25 per cent for the entire parliament.”  
“We will publish a roadmap for business taxation for the next parliament which will allow businesses to plan investments with confidence.”  
“We are committed to one major fiscal event a year, giving families and businesses due warning of tax and spending policies.”  
“Labour will not increase taxes on working people, which is why we will not increase National Insurance, the basic, higher, or additional rates of Income Tax, or VAT.”

What is the impact on charities? Certainty in terms of what taxes will be applied for the future is good news for those of us wrestling with budgets to set and, whilst we are on the subject of budgets, from CTG’s perspective we will breathe a sigh of relief at the prospect of having a single budget (or ‘fiscal event’) per year. There is another point to certainty though which we want to make strongly to government – not only are the current rules complicated, but the HMRC guidance which comes with those rules is often unclear, difficult to interpret and consequently charities stumble and end up with unexpected costs. Clearer guidance and simplification of rules brings certainty.

How can you contribute? Tell us what parts of HMRC guidance are unclear for charities? What rules do you struggle with? How might the Government simplify taxation?

## Modernisation of HMRC

What does the manifesto say? “We will modernise HMRC and change the law to tackle tax avoidance. We will increase registration and reporting requirements, strengthen HMRC’s powers, invest in new technology and build capacity within HMRC.”

Modernisation of HMRC comes as welcome news for Charities. Much of the frustration with charity taxation arises from the challenges and lack of certainty when applying reliefs, or filing returns not designed for charities, filing the same information multiple times, or working with regimes designed in a time when everything was paper based. Labour’s commitment to modernise HMRC offers a real opportunity to bid for change to reduce the administrative burdens on charities. The future of the Gift

What is the impact on charities? Aid project, which we have championed for some time, is predicated on the need for the modernisation of the tax system.

Likewise, we recognise that tackling tax avoidance is a vital element of Labour’s mission. But all anti-avoidance comes with the risk of unintended consequences for bona fide taxpayers. In Spring 2023, the previous government consulted on [Charities Tax Compliance](#). Unfortunately, the outcome of this consultation was not published, perhaps reflecting the level of difficulty in this area.

How can you contribute? What is on your wish list(s) for modernisation? How could HMRC reduce the administrative burdens on charity taxation? What concerns do you have around possible anti avoidance provisions in relation to charities?

## Replacement of business rates in England

What does the manifesto say? “The current business rates system disincentivises investment, creates uncertainty and places an undue burden on our high streets. In England, Labour will replace the business rates system, so we can raise the same revenue but in a fairer way. This new system will level the playing field between the high street and online

giants, better incentivise investment, tackle empty properties and support entrepreneurship.”

What is the impact on charities? Charities benefit from generous business rates reliefs. It is important to ensure that any new regime maintains or improves these reliefs. There is also scope for simplification and modernisation of the process by which charities apply for relief.

How can you contribute? Charity Tax Group will engage with the government review to ensure and call on our members to contribute ideas and evidence.

### [Fee paying schools](#)

What does the manifesto say? “Labour will end the VAT exemption and business rates relief for private schools to invest in our state schools.”

What is the impact on charities? The Government is unlikely to row back on this flagship policy which will impact on school charities. However, as always there is a risk of unexpected and unintended consequences for other charities and through our membership of various consultation groups with HMRC, we will be examining draft legislation very carefully to see whether other bodies are excluded from the right to apply VAT exemption to education.

How can you contribute? Charity Tax Group will engage with the government on implementation of their policy. Please tell us if it appears that the scope of any new legislation impacts you in a way that is not expected.

### [Helping people with disabilities into work](#)

What does the manifesto say? Labour will reform employment support, so it drives growth and opportunity.... Labour will work with local areas to create plans to support more disabled people and those with health conditions into work.

What is the impact on charities? Many of our charity members are established to support people with disabilities and those charities will work with the government on developing their strategy. Tax reliefs, for employers and employees, and also VAT reliefs could be an important element of those policies.

How you can contribute? Charity Tax Group will engage with the government on implementation of their policy and call on our members to contribute ideas and evidence.

### [Enhanced employee rights](#)

What does the manifesto say? “Labour will stop the chaos and turn the page to create a partnership between business and trade unions, by implementing ‘Labour’s Plan to Make Work Pay: Delivering a New Deal for Working People’ in full – introducing legislation within 100 days. We will consult fully with businesses, workers, and civil society on how to put our plans into practice before legislation is passed. This will include banning exploitative zero hours contracts; ending fire and rehire; and introducing basic rights from day one to parental leave, sick pay, and protection from unfair dismissal.”

What is the impact on charities? Many charities achieve their mission through use of volunteers and less formal working arrangements. The introduction of basic rights from day one means that it will be more important than ever that charities are aware of employment status.

How you can contribute? Charity Tax Group will provide training and workshops for our members on volunteers, taxation and National Minimum Wage. Get involved if you can.

#### **NOTE:**

For further information, please contact:

**[info@charitytaxgroup.org.uk](mailto:info@charitytaxgroup.org.uk)**  
**[info@centrallobby.com](mailto:info@centrallobby.com)**

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