

Minutes of the Charity Tax Forum meeting on 5 February 2018

Held at HM Treasury (HMT), 1 Horse Guards Road, London

List of attendees

R Baldwin	Sport & Recreation Alliance
P Bater	Charity Law Association
R Bray	Cancer Research
S Cattell	Institute of Chartered Accountants in Scotland
S Rumens	Stewardship
J Hemming	Wellcome Trust
T James	Ass of Church Accounts & Treasurers
C Lane	Charity Tax Group
A O'Brien	Charity Finance Group
S Siddall	Institute of Fundraising
P Winyard	National Council of Voluntary Organisations
P Spedding	London Library
E Deane	Society of Trust & Estate Practitioners

J Gibson	HMRC (Chair)
A Coates	HMRC
A Bottone	HMRC
J Vambe	HMRC
H Dodia	HMRC
C James	HMRC
A Causer	HMRC
A McKay	HMRC
J Worrell	HMRC
S Patel	HMRC

Welcome and introductions

1. The Chair welcomed the Forum and thanked them for offering agenda items for discussion. There were no open actions.

VAT – HMRC updated guidance on grants

2. HMRC reported that the updated VAT grants guidance had now been published, and apologised for the delay. It was stressed that the updated guidance contained revisions only, with no changes to policy. HMRC reported that it was important that the guidance met the needs of its intended readership and, as such the Charity Tax Group and compliance officers had been asked for their views. HMRC reported it was confident that future revisions would be more efficient. Attendees were advised that guidance was consistently evolving and that HMRC was happy to take comments on how it may be improved.

3. Concerns were raised about how updates would be practicably implemented, in addition to comparisons with previous updates where it had not been clear what exactly had been revised (although it was acknowledged that Gov.UK does list the sections that have been changed). It was suggested that any future revisions to the guidance could be sent to the Forum before being published, enabling them to be sense checked. This was welcomed by HMRC and any further comments on the current revisions could be sent to the Charities Policy Team inbox.

Making Tax Digital (MTD) - update

4. Jeff Worrell and Suleman Patel from HMRC gave an update on the latest position regarding MTD and how it affected charities. It was reported that HMRC was currently in the process of consulting on the draft amendments to the VAT regulations and a draft VAT Notice about keeping digital records and providing VAT returns using compatible software. This consultation would close on 9 February 2018 to allow sufficient time for the responses to be reviewed and the final regulations to be laid by the end of February. This would provide certainty to software suppliers and taxpayers as to the legal requirements by the time the VAT public beta service commences in April 2018, a full 12 months before MTD for VAT becomes mandatory. HMRC reported that there would be opportunities for further discussion and iterations of the VAT Notice after this period. Separately, HMRC indicated that it expected to begin an initial consultation on the design of MTD for Corporation Tax (CT) in the spring.
5. HMRC confirmed that it would not be providing software for charities and that this would be for the market to provide. It reported that a number of software suppliers had already expressed an interest in providing the software, and that it was aware that charities' existing software was likely to be non-standard. Forum members expressed concerns about the complexity of charities' VAT, how quickly after the start of public beta suitable software products would be available, and how quickly they would be admitted by HMRC into the beta service. Forum members also stressed the need to bear in mind that a lot of charities are fairly small and would need a lot of support to manage the transition to digital. Finally, on CT, a Forum member asked whether MTD offered the opportunity to review (and potentially reduce) the amount of information HMRC currently required charities to provide on the CT600E supplementary page. HMRC was unable to guarantee that this would be the case.

HMRC Operations – performance issues and reaching out to smaller charities

6. Alan Causer from HMRC gave an overview of the Operations Customer Services work which included the Charities Helpline,

Charities Online and the Outreach Team. It was reported that the majority of calls to the Charities Helpline were from small charities, that over 90,000 charities were currently registered for Gift Aid and that a large number of claims were very low in terms of the amount claimed. Forum members were then asked for their views on how they thought these services performed.

7. Overall Forum members thought the services were good, with the Outreach Team's visits to small charities being particularly appreciated. In other areas, members reported that there was often a delay whereby charities had to chase HMRC for updates on queries. HMRC was advised that the best way to reach out to smaller charities was digitally and in particular, via webinars. The Gift Aid Small Donations Scheme was cited as something that needed to be promoted more and members were advised that HMRC had recently written to 50,000 charities to do just that. Members asked for a copy of this letter to be shared and HMRC reported that it would consider this.
8. Forum members reported that very often, fear was the main reason, particularly for churches, as to why more do not claim Gift Aid. This ranged from getting the claiming process wrong to having to check whether donors were taxpayers, which felt too intrusive to charities. HMRC reported that it was happy to allay these fears and to liaise with churches to improve services.
9. Additional concerns were raised about the Gift Aid ChR1 form which Forum members found very off-putting primarily due to its length. Similar concerns were raised about the Gift Aid guidance which was seen as too complicated, and the Forum cautioned that it would be very hard to change this perception despite how many changes are made. Some charities were not sure what they could claim Gift Aid on - and if there were better information about it, there could be far more claiming it. This led to calls for some kind of podcast or video on Gov.uk explaining how Gift Aid works and HMRC reported that it was already looking into this.
10. Richard Bray mentioned the NAO – University of Birmingham Tax Centre, which was launched in 2018. In February it published [a blog](#) discussing Gift Aid and Richard would be meeting Professor Scharf, the author of the research. Richard suggested that Professor Scharf could be invited to a future Forum meeting. HMRC reported that they were also in contact with the professor and would look further into this. Richard Bray also requested that Alan Causer attend future Forum meetings where possible as his input had been valuable.

AOB

11. HMRC updated the Forum on the requirement to publish a tax strategy but reported that the feedback on how this affected charities was not currently available. It was requested that an official attend the next

Forum to give more of the details on how this specifically affected charities – HMRC would see if the timing was right, but would definitely consider this for a future meeting.

12. HMRC reported that the Scottish income rate proposal had not yet been voted on but was likely to apply from 6 April 2018. Charities had been informally consulted on the change and had opted to keep Gift Aid at UK rates. This meant that Gift Aid would remain at the current UK rates and stay the same for donors, only intermediate rate payers in Scotland would be affected. The Forum reported that it was pleased that charities' views had been taken into account. (Since the meeting the date for the Scottish vote was set for 20 February.)
13. HMRC reported that it was hoping to publish the Gift Aid research within the next few weeks and would be in touch with forum members to arrange a meeting to share its outcomes prior to the publication.
14. HMRC gave an update on the Gift Aid Working Group, reporting that its first two meetings were productive and resulted in quite a few action points and papers to be commissioned. Once these had been received the next meeting would be arranged and Alan Causer would be invited.
15. HMRC then gave an update on the Donor Benefits Working Group which had its first meeting in October, resulting in attendees providing a draft version of the type of guidance they would like to see. Once this was received it would need to be considered by HMRC and then the Group's next meeting would be held.
16. Forum members asked whether the employer provided living accommodation guidance had been published. HMRC advised that as soon as it knew more about when the publication was likely to be, it would let the Forum know. Points were raised about VAT (Chris Lane) and HMRC advised that it would report back on these.
17. HMRC discussed with the Forum any views they had on the use of Company Accounts Tax Online (CATO) for CT and in particular those pertaining to its usage, familiarity, appetite and effectiveness. Forum members discussed how they used its forerunner and made submissions using the PDF method, but many charities had taken the leap after that was removed and purchased third party software to file their returns for CT. Discussion then turned to commercial software and if any free software was available for the charities' market. Forum members were unsure of this but thought it important that any such software came with adequate support and tools for the job. Finally there was a brief discussion on what software Forum members currently used for CT and on average what the expense was per annum.

Date of next meeting

18. The next meeting will be held on **7 June 2018** at 10.30 am at HMRC,
100 Parliament Street.

Charities Policy Team
HMRC
23 February 2018