

Minutes of the Charity Tax Forum meeting on 19 January 2021

Held virtually by Microsoft Teams

List of participants

Charity Sector: R Baldwin, P Bater, J Mail, R Bray, R Sagar, C Lane, K Russell, R Carington, D Warrellow, T James, I Clark, S Cattell, Paul Winyard, P Spedding

HMRC/HM Treasury: A Edwards (Chair), D Hook, P Sears, R Shah, H Dodia, T Parsons, J Vambe, C Cornell Johnson, D Macdonald, K Quadri, G Jordan, D Simons, S Cook, A Bowes, G Hirons, A Bloxam, M Ahlar, J Cornwall, O Plummer, B Jones, A Nevitte, B Allitt

Welcome and introductions

1. The Chair welcomed members of the Forum.

Making Tax Digital (MTD)

2. Digital links requirement: HMRC gave an overview of MTD for VAT's digital links requirement. This set out what exactly digital links were, at what point they were required and what constituted a digital link. HMRC reported that the soft landing extension for digital links would come to an end on 6 April 2021.
3. Businesses with complex/legacy IT systems that required a longer period to put digital links in place could apply to HMRC for additional time to put the required links in place. The application criteria and how to apply for an extension were set out under section 4.2.1.3 of the VAT Notice 700/22.
4. Forum members raised points about how HMRC would monitor compliance, the lack of general knowledge in the charity sector, and the availability of guidance. It was also asked by C Lane and R Sagar whether HMRC would provide a follow-up presentation on digital links, and HMRC reported that it would be happy to do that.
5. **Action:** HMRC to provide a follow-up presentation on digital links by 31 March 2021.
6. MTD for Corporation Tax Consultation: HMRC gave an overview of this open consultation and the proposed design of MTD for Corporation Tax (CT).
7. With mandation over 5 years away and not before April 2026, this provided an opportunity for the start of early engagement on the design proposals to deliver the best benefits. It was reported that nothing had been decided and that HMRC was very much in listening-mode.
8. HMRC reported on the scope of MTD for CT, explaining the current thinking for including charities based on the experiences of MTD for VAT, and why voluntary

inclusion may limit their benefits and deliver a poorer customer experience. It reported that a session on MTD for CT would be held on 9 February and Forum members were encouraged to participate in this.

9. HMRC asked Forum members for feedback on MTD for VAT as that had shown that, at least for larger charities, operating MTD requirements had not proved to be any more difficult than for a comparable business. T James reported that there were concerns about the lack of IT skills amongst the volunteers that run charities.
10. S Cattell reported feedback from a charity which had implemented MTD for VAT and had involved additional costs/new software. Currently, they only filed a CT return every few years (showing no tax liability) – under MTD for CT more returns would need to be filed (more costs/admin) but there would still be no tax liability (unlike VAT).
11. Similarly, Forum members also reported that because charities did not file CT returns every year, they saw little benefit in MTD for CT, and that it would affect more charities than MTD for VAT.
12. The requirement for supplementary information on CT returns was flagged by R Bray and K Russell as something that was a problem for charities, particularly smaller charities, and it was not clear why it was required.
13. **Action:** HMRC agreed to take this away and invited members to the session on 9 February.
14. HMRC reported the consultation proposed that all charities, community amateur sports clubs (CASCs) and other not for profit organisations be within scope of MTD for CT where they had income within the charge to CT and were required to complete a Company Tax Return.
15. Forum members reported that this would be a burden and costly to charities with little benefits, and that sufficient time and support should be provided. R Baldwin flagged up the diversity of sports clubs whereby many would have no experience of MTD for VAT, and many would not be trading.
16. C Lane asked whether lessons would be learned from MTD for VAT, in particular the costs involved for software changes, and reported that there was no HMRC software made available. It was suggested that a staggered introduction would be prudent such as large charities first.
17. HMRC thanked Forum members and acknowledged the points raised. It reiterated that MTD for CT was five years away and that nothing was set in stone. Forum members were encouraged to participate in the consultation to ensure that their views were recorded.

Off-Payroll Working (OPW)

18. HMRC gave an update on the OPW, covering the reason for reform, progress made and the previous delay to implementation. It was reported that HMRC had used the period to consider sectors' awareness and preparedness, and to put in place additional education and support. Communications and materials had been reviewed and updated, as well as the technical guidance.
19. HMRC reported that webinars and workshops concerning the practicalities were ongoing, and that it was considering further support and education to help businesses to adapt.
20. It was confirmed that under OPW, turnover from charities' donations was excluded. An overview was then given of the basic rules of OPW which would come into effect from 6 April 2021.
21. This included technical details including examples of parties in the off-payroll labour supply chain, including deemed employers, the requirement of status determination statements, what the recovery of debt provisions were and taking reasonable care.
22. Forum members raised several queries including whether grant receipts would be treated in the same way as turnover from donations. Concern was expressed about the principles behind the reform and HMRC acknowledged the comments.
23. **Action:** HMRC to confirm whether or not turnover from grants would be treated in the same way as turnover from donations, and to report back to Forum members via an email from the Charities Policy Team.
24. It was also asked whether any additional tailored support would be available for charities to get them ready. HMRC agreed to take this away, and reported that although there was nothing additional currently planned, it would be speaking to other sectors and would be happy to consider further comms.
25. R Bray acknowledged the support already offered and thanked HMRC for that. He reported that modifications were necessary to software and that providers were not up to speed. HMRC reported that it was looking at this and would be happy to make further connections.
26. **Action:** HMRC to report back to Forum members on whether any future support would be made available to charities via email from the Charities Policy Team.

AOB

27. HMRC reported that the COVID19 easement provision on cancelled theatre tickets being used for donations that are eligible for Gift Aid would be sustained. HMRC had looked at the legislation and agreed that this was something that was permissible; and reported that the guidance would be updated.

28. P Spedding asked whether this principle could also be applied to split payments for 'patron' schemes, where a member of the public makes both a donation and a payment which entitles it to benefits.
29. If the charity had been unable to provide the benefits and the patron confirmed that they were happy for the payment not to be refunded and to be treated as a donation, would the 'donation' qualify for Gift Aid? The Chair asked him to put his request in writing so that HMRC could consider it further.
30. **Action:** P Spedding to forward in writing his concerns about split payments for 'patron' schemes and Gift Aid.
31. T James asked whether it would be deemed to be non-charitable expenditure (and thus generate a CT liability) if a charity that had furloughed its workers continued to give them the 20% of their wages. The Chair agreed to consider the question with colleagues elsewhere in HMRC.
32. **Action:** HMRC to clarify the position on furloughed employees and report back to Forum members.
33. K Russell raised three questions on the concession on refunds of the price of ticket refunds:
- Since this was a reinterpretation of the legislation, he assumed it applied with immediate effect?
 - The draft guidance talked of loans being for a nominal amount. What figure did HMRC regard as nominal?
 - The production of a "legally enforceable document" could introduce friction into the process, potentially requiring a solicitor. Could HMRC provide a model?
34. D Hook suggested that he thought it would apply with immediate effect, but this was ultimately for HMRC's Technical colleagues, represented today by J Cornwall. J Cornwall agreed that it would apply with immediate effect.
35. On the other two questions, J Cornwall said that it would be difficult, and undesirable, to put a precise figure on "a nominal amount" and that HMRC could not provide a model template.
36. However, HMRC would see whether there was anything further which could be provided in the guidance on the former, along with some indication as to what it would expect to see included in a suitable "legally enforceable document".
37. **Action:** HMRC to consider what additional guidance could be provided on the issues discussed at paragraphs 33 through to 36.
38. C Lane asked whether the concession about GASDS (allowing GASDS in cases where regular donors, particularly churchgoers, to save up the cash they would have put in

the collection each week and give it to the treasurer in one large cash amount) would also be made permanent.

39. HMRC confirmed that this was not unique to the pandemic and it was not a concession; provided the treasurer was satisfied that the pile of cash received was multiple small donations which happened to be in one envelope, then he/she could claim GASDS subject to the normal rules.
40. I Clark reported that at future Forums it would be helpful if members had more opportunities to discuss the subjects of interest to them and cited irrecoverable VAT, business rates exemption, and improvements to GASDS and Gift Aid.

Date of next meeting

41. HMRC reported that it would let Forum members know about the next meeting and that if one went ahead in April then it would be held virtually via Microsoft Teams. Members were invited to send in topics so that HMRC could endeavour to get the relevant officials available to participate.

Charities Policy Team
HMRC
26 February 2021