

Minutes of the Charity Tax Forum meeting on 18 February 2016

List of attendees

Gillian McKay	Institute of Chartered Accountants of England and Wales
Ian Clark	Charity Representative
Andrew O'Brien	Charity Finance Group
Kevin Russell	Stewardship
David Warreallow	National Trust
John Pepin	Philanthropy Impact
Cyril Wood	Association of Church Accountants and Treasurers
Richard Bray	Cancer Research UK
Sean Smith	Society of Trust and Estate Practitioners
Stephanie Siddall	Institute of Fundraising
Michael Birtwistle	National Council for Voluntary Organisations
Paul Bater	Charity Law Association
Chris Lane	Charity Tax Group/Wellcome Trust
Helen Donoghue	Charity Tax Group
Richard Baldwin	Sport & Recreation Alliance
Philip Spedding	London Library
Graham Batty	Chartered Institute of Taxation
Helen Morgan	Cabinet Office
Rachel Nixon	HMRC (Chair)
Michelle Stokell	HMRC
Owen Price	HMRC
Chris Maudsley	HMRC
Sue Pennicott	HMRC
Anthony Bottone	HMRC
Savita Patel	HMRC
Daniel Pease	HM Treasury
Elly Crockford	HMRC
Geraldine Beazley	HMRC

Ben Stern HMRC
Tony Summersell HMRC

Introduction and Apologies

1. The Chair welcomed members of the Charity Tax Forum and noted the apologies for absence.
2. Rachel Nixon has taken over from Adrian Cooper as Deputy Director for Charities Policy and as Chair of the Charity Tax Forum.

Action Log

3. AP13.9 – HMRC continue to work on the Fit and Proper Persons test.
4. AP18.0 – HMRC believe that it is feasible to include a message on Charities Online and will continue to work to have a suitable message added.
5. Forum members suggested HMRC update their online guidance to clarify the record keeping requirements for charities continuing to use pre-printed stationary showing the withdrawn model Gift Aid declaration after 5 April 2016. HMRC agreed to take this forward.

Common Reporting Standard

6. HMRC provided an overview of the Common Reporting Standard.
7. The Common Reporting Standard (CRS) is a global model for the automatic exchange of financial account information to help combat tax evasion.
8. CRS, which commenced from 1 January 2016, follows on from FATCA, which has operated since July 2014. Although charities are specifically excluded from reporting under FATCA, no such exclusion exists from CRS.

9. Charities deemed to be financial institutions under CRS will be required to report to HMRC.
10. A charity will be an investment entity where it is managed by another Financial Institution, and more than 50% of its income is passive income from investments. Passive income includes interest, dividends, royalties, rental income and similar returns on financial assets.
11. HMRC explained that entities that are not Financial Institutions under CRS are 'non-financial entities' (NFEs).
12. NFEs can be active or passive. Charities which are not Financial Institutions will be deemed to be active NFEs.
13. Reporting under CRS takes place by calendar year. The first reports are due by 31 May 2017 for payments made in the year to 31 December 2016.
14. HMRC has published a list of jurisdictions adopting CRS from 2017 – this will be updated to include the next wave of adopters in 2018.
15. HMRC has prepared draft guidance. It was agreed that this would be shared with Forum members.
16. Some Forum members expressed concern that CRS reporting would impose such a burden that certain funding certain projects will no longer be viable. Other Forum members went further, expressing the view that CRS reporting risked jeopardising the future of their charities.
17. Forum members requested a further meeting with HMRC to discuss the implications of CRS in more detail.

Action Point 19.0 – HMRC to arrange further meeting on CRS.

18. HMRC gave a presentation on the Making Tax Digital for Business project.
19. Making Tax Digital is about transforming tax administration to make it simpler and more efficient for businesses. This will involve making better use of data to provide a more joined up service to help businesses to get their tax right first time.
20. HMRC addressed some of the myths around the Making Tax Digital process. The annual basis of taxation will not change, although more information will be reported to HMRC in real time.
21. The Government will carry out a series of consultations on the detail of the project throughout 2016 and any charities that would like to be involved are invited to take part.
22. There will be no widening of existing requirements for charities to complete a tax return. However, it has not yet been decided whether charities' trading subsidiaries will be within scope of the reforms. HMRC invited the views of the charity sector on this point.
23. Forum members were generally reluctant to be brought within scope of Making Tax Digital for Business, citing concern about confusing with the introducing of online filing of accounts with Companies House. However, Forum members were keen to discuss the proposals further and asked for an agenda item to be included at the next Forum meeting.

Action Point 19.1 – HMRC to include further discussion on Making Tax Digital at May Forum.

Gift Aid Donor Benefits

24. The Government is reviewing the Gift Aid Donor Benefits rules with a view to simplifying them.

25. A Call for Evidence consultation was carried out over the summer. This closed in October 2015 and the Government is grateful for the responses received.
26. A full consultation has now been published. This can be found at <https://www.gov.uk/government/consultations/simplifying-the-gift-aid-donor-benefit-rules-consultation>
27. HMT explained that this consultation is focused on conceptual simplification options, with the detail of any proposals to be decided at a later date.
28. The Government is keen to understand the sector's appetite for reform and encourages all stakeholders to engage with the consultation process.

Gift Aid Small Donations Scheme Review

29. The Chancellor announced at Autumn Statement the Government's decision to bring forward the planned review of the Gift Aid Small Donations Scheme.
30. A Call for Evidence had been published on Gov.uk and closed on 2 March. HMRC advised that they had received in excess of 90 responses so far and encouraged any stakeholders who had yet to respond to do so.
31. Forum members welcomed the review and were keen to engage with the Government. However, some felt that it was difficult to provide detailed responses without more detailed statistics on the take up and use of GASDS.
32. HMRC explained that whilst they are happy to share the data they hold, they may not necessarily have access to the level of detail Forum members were asking for. However, HMRC's Knowledge, Analysis and Intelligence team is working with NCVO in an effort to improve their statistical data.

Gift Aid and Devolution

33. HMT advised Forum members that the Government had scheduled a meeting with stakeholders in late February to garner views on income tax devolution and the potential interactions with charity tax reliefs.

Any other business

34. Forum members asked for an update on the Corporate Gift Aid issue recorded on the Longer Term Issues log. Guidance will be published shortly.
35. Forum members asked HMRC to clarify the policy on collecting underpayments arising from donors with insufficient tax to cover. HMRC agreed to provide a statement.
36. Where a donor has insufficient tax to cover the repayment made to a charity in respect of a Gift Aided donation the legislation is quite clear that the donor is responsible for any shortfall. However, in light of the fact that it has been HMRC's practice historically to approach the charity to make good the tax due in certain circumstances, HMRC can see the scope for confusion. As this matter has been raised HMRC will take the opportunity to review the issue and its practices to ensure that they are clear and consistent. HMRC expect to consult with key stakeholders in due course.

Action Point 19.2 – HMRC to update Forum on Tax to Cover.

37. Forum members asked for an update on the research HMRC has commissioned into Gift Aid behaviour. HMRC confirmed that fieldwork has now finished.
38. HMRC advised that Bozena Hillyer, Deputy Director with responsibility for Charities Operations and Compliance within HMRC will attend future forum meetings.

Date of next meeting

39. The next meeting will be held on **24 June** at **2pm** at 100 Parliament Street.