What the Autumn Statement 2015 means for Charities

INTRODUCTION

The Autumn Statement saw a number of proposals which will affect the charity sector ranging from Cabinet Office funding settlements which see the Charity Commission budget remaining at £20 million a year over the remainder of the current Parliament to new digital proposals for the future administration of the UK tax system.

We have highlighted some of the more salient features below:

BUSINESS RATES

The widely anticipated review of business rates has been delayed until next year but by the end of the current Parliament it is intended that local government will retain 100% of business rate revenues to fund local services. The Uniform Business Rate is to be abolished with local authorities given new powers to reduce rates to support business and job creation in their area.

Charities will be concerned about any withdrawal of the existing 80% mandatory rate relief and the additional 20% discretionary rate relief. Yesterday’s policy announcements make no mention of withdrawing the vital relief for the charity sector but it is a concern that no statement confirming the continuance of the relief was made.

AT A GLANCE:

- Business rates
- Support for Arts & Culture
- Gift Aid Small Donation Scheme
- VAT developments
- Apprenticeship levy
- Boost for women’s charities
- Making tax digital
- Cabinet Office funding
SUPPORT FOR ARTS & CULTURE

The Spending Review and Autumn Statement ensures continued free access to national museums and galleries as part of a settlement that maintains funding in cash terms for museums, galleries and the arts.

To encourage museums and galleries to develop creative new exhibitions and display their collections for a wide audience, the government will explore with the sector the case for introducing a new tax relief for museums and galleries - detailed proposals are still to be announced and we will provide further guidance in due course.

GIFT AID SMALL DONATION SCHEME

The Gift Aid Small Donation Scheme is to be reviewed to ensure that it is operating as effectively as originally intended. It is hoped that this will lead to an increase in the take-up of the scheme especially for small charities where the scheme could have the most beneficial effect.

A Call for Evidence will be published in December 2015.

VAT DEVELOPMENTS

As part of the government’s one-off restructuring of post-16 education and training, Sixth Form Colleges in England will be given the opportunity to become academies, allowing them to recover their non-business VAT costs.

Sixth Form Colleges are currently unable to reclaim VAT on their purchases. Academies can obtain a refund for the VAT they incur in their non-business activities under the ‘section 33b refund scheme’, if VAT registered through VAT returns, and if not VAT registered through form VAT 126.

Sixth Form Colleges may not have an overall net gain as grant funding currently provides for irrecoverable VAT on expenditure, which may not be the case on converting to academy status, resulting in no overall VAT benefit. The change could lead to increased administration costs.

APPRENTICESHIP LEVY

An Apprenticeships levy is to be introduced from April 2017. The levy is to be set at a rate of 0.5% of an employer’s paybill where the total pay is in excess of £3 million. The Spending Review documents also announce that employers who pay the levy and are committed to apprenticeship training may be able to benefit by more than the amount they contribute.

BOOST FOR WOMEN’S CHARITIES

The Government announced that they would put £15 million a year towards a fund for women’s health and support charities until such time as it becomes possible to zero rate women’s sanitary products. An initial £5m is to be given to four nominated charities with the remainder of the money to be bid for by other “good causes”.

OUR 2015/16 SEMINAR PROGRAMME

Please see below for details of the first two not for profit seminars in our 2016 programme.

Breakfast seminars will be held at our Canary Wharf office and will be free of charge to attend.

Each session will give practical tips from a wide range of experts, and opportunities to have your questions answered and to network with not for profit sector colleagues.

Please save the dates and contact Kirsty Alexander, kalexander@pkf-littlejohn.com or +44 (0)20 7516 2331, if you would like an invitation or more details on the programme.

Thursday 21 January 2016
Trustees’ Responsibilities
A timely update for trustees on their responsibilities and effective ways to discharge them. Hear from both financial and legal experts on what works well and what to avoid.

Friday 26 February 2016
Not for Profit Tax Round Up
Our annual update on tax matters affecting the sector, covering relevant developments in corporate tax, gift aid, employment taxes and VAT. An essential session that can help you both avoid compliance issues and plan more effectively.
MAKING TAX DIGITAL

In the March 2015 Budget the Government committed to transform the tax system over the next Parliament by introducing digital tax accounts which will remove the need for annual tax returns thereby giving individuals and businesses a real-time view of their tax affairs. The Autumn Statement provided details of the next steps to achieve this.

£1.3 billion is to be invested in transforming Her Majesty’s Revenue & Customs into one of the most digitally advanced tax administrations in the world.

By 2020 most businesses, self-employed people and landlords will be required to operate a digital tax account which will need to be updated at least quarterly to allow HMRC to monitor their affairs. These rules will not apply to individuals in employment or pensioners, unless they have secondary incomes in excess of £10,000 per year from self-employment or property. The precise details are to be consulted on in 2016.

Consultation will also take place on options to simplify payment of taxes, including the possibility of aligning payment dates and bringing them closer to the point where the profits arise.

CABINET OFFICE FUNDING

The Cabinet Office settlement includes the following provisions:

Funding to allow the expansion of the National Citizen Service to deliver up to 300,000 places by 2019-20, supporting hundreds of charities and third sector providers.

Expansion of support for Social Impact Bonds by providing £80 million to uplift funding for locally designed schemes tackling issues such as youth unemployment.

The Charity Commission budget is to remain unchanged at £20 million a year over the course of the Parliament.

For more information, please contact one of the Not for Profit team

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