WESTCOTTS

CHARTERED ACCOUNTANTS
& BUSINESS ADVISERS

Charity/Not for Profit Tax Update



Jon Sparkes

Tax Director

WESTCOTTS

Contents

- Employment Tax
- Gift Aid
- Creative Industry Claims
- Trading Subsidiary Structures
- Budget Update
- Managing Tax Risk

WESTCOTTS

Employment Tax

- Employment Status/Self Employed Engagements
- IR35 reviews
- Benefits in Kind
- Termination Payments
- Volunteer Expenses

Employment Status Case Study

- Long-term freelancer works exclusively for charity….
  - Who controls work and hours?
    - Location, outcomes
    - What happens if they make a mistake?
  - Part and parcel?
  - Equipment?
  - Substitution?
- Potential PAYE/NIC
- Use of “CEST”

Gift Aid Risks

- Defective Declarations

- Donor benefits
  - £0 - £100 – 25% of the donation
  - £101 + = 25% of £100 plus 5% of of excess up to £2,500 maximum
  - Some benefits are ok – acknowledgements, literature about the charity's work, right of admission to view the charity's work – care with naming rights

- Retail Gift Aid

- Insufficient Records

- Payment of a "sum of money"
  - Can now include debt waivers (post COVID)
  - This also applies to inter-company loans between charity & sub

Creative Reliefs

- Theatres, Museums & Galleries, Orchestras
  - Is it a qualifying production/exhibition?
  - Primary production company (Theatres)?
  - Record-keeping
  - Cost allocation/expenditure tracking

- Additional Information Form

Trading Subsidiaries

- Management charges
- Shared staff arrangements
- Use of charity property
- Gift Aid profit extraction

Management Charges

- Charity and subsidiary share staff
- Charity must recharge for use of its staff and other resources – at least cost
  - Is your basis reviewed every year?
  - Is the basis fair & reasonable?
  - Does it reflect increases in Salaries, NIC, Pensions, NMW/NLW?
  - Does it reflect other staff related costs (e.g. training)
  - Is there a formal agreement?

WESTCOTTS

2026 Budget

- Increase in NLW to £13.21 from 1 April 2027
  - Continued pressure for charities with lower paid workers
- 55p/mile tax free mileage rate for first 10,000 miles is now permanent
- Increase from 25p to 35p for any over 10,000 miles
  - Care & social workers may benefit from this
- Some funding/spending announcements for specific parts of the sector
  - Homeless/rough sleeping
  - Violence against women and girls
  - Continued move to devolution & local commissioning

Key Takeaways

For trustees...

- Annual health checks?
- Document key decisions – maintain evidence
- Review high risk claims
- Monitor subsidiary arrangements
- Good governance includes oversight of tax