CHARITY TAX COMMISSION - CALL FOR EVIDENCE

About the Charity Tax Commission

In October 2017, NCVO established an independent Charity Tax Commission to undertake a full review of the impact of the tax system on charities. The commission is chaired by Sir Nicholas Montagu, a former chair of the Inland Revenue, working alongside a board of six commissioners with extensive charity, economic and fiscal policy expertise. NCVO is providing secretariat support for the commission. [Read more on the Charity Tax Commission website.]

Rationale for a review of charitable tax reliefs

Tax reliefs for charities are estimated to be worth £3.77bn a year, the main ones being business rates relief, Gift Aid and VAT relief, while reliefs for individuals are worth £1.47bn. The last comprehensive review of charity taxation and reliefs took place over 20 years ago. Since then, the voluntary sector and the environment in which it operates have changed significantly. The sector has grown in scale and charities now do far more, including playing a bigger role in the delivery of public services. Britain's departure from the EU also presents potential opportunities to review a number of issues related to the tax treatment of charities. Against this backdrop and ongoing pressures on local authority spending and other funding streams for the voluntary sector, we believe it is a good time to do an in-depth assessment of how the tax system functions in relation to charities and what – if any – changes could help position them better to fulfil their long term strategic role in society.

About this call for evidence

This call for evidence seeks views and evidence from anyone with relevant knowledge, expertise or experience of the system of charitable tax reliefs in the UK, including charities, donors, academics, think tanks, representative bodies, accountants, philanthropy and financial advisers, tax professionals and members of the public.

In particular, we are keen to receive thoughts about the effectiveness of current reliefs, which are summarised below, and whether the existing system could be improved in order for charities to better serve their beneficiaries. We welcome all ideas about how the tax system can help to create an operating environment in which charities can maximise the public benefit they generate. Respondents should in their comments reflect the commission's determination to make practical, evidence-based recommendations focussed on increasing the efficiency and effectiveness of the current tax system. To help get a sense of priorities, we would like you to demonstrate how ideas for reform keep within the current fiscal settlement by indicating what other areas of charity tax relief or spending might be deprioritised in order to provide expenditure in other areas. The secretariat will be arranging meetings with stakeholders during the call for evidence period and will also host open sessions for interested parties in different parts of the UK. Further details will be published on the [Charity Tax Commission website] in due course.

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Call for evidence

The subheadings below indicate the specific areas of taxation on which thoughts would be particularly welcome, but feel free to include other relevant comments at the end. Please use the headings provided and keep your responses concise as possible: we want to keep replies to a reasonable length, and we will follow up orally for evidence that needs amplification. Where possible, provide data and/or examples to support your answers. Information that supports analysis or validates conclusions (especially lengthy information), should be included in an appendix to your main submission.

When responding, the commission would be particularly interested in receiving views on how far the current system of charity taxation succeeds in benefiting beneficiaries and what, if anything, needs to change to create maximum public benefit. We are also keen to receive views on whether the current system directs the activities of charities and encourages certain behaviour.

The purpose of charity taxation

Please use this section to provide general thoughts on the principles that should underpin the tax treatment of charities. For example, to what extent should tax reliefs be used to support charities to provide public services, to promote certain values such as voluntarism, or to encourage donations. Or do fiscal privileges amount to a grant of public money without democratic control and represent an inappropriate forgoing of tax by the exchequer?

1. *Every charity is founded on the basis of delivering public benefit and each organisation has a duty to use all of its assets to best bring about a change or improvement for society according to its mission and objectives.*

1.1. Given that the work of charities is therefore intrinsically 'to do good' for public benefit, the overriding policy for charity taxation (whether on charges charities have to pay, or on tax reliefs associated with charitable activities such as donating) should be focused on enabling *the charity sector to maximise the public benefit it delivers. In the vast majority of cases we believe that public benefit will be delivered more quickly and more effectively by providing charities with the maximum resources and assets possible to carry out their work. This means reducing the amount that charities pay in tax, where possible, as well as maximising the value and number of donations made through tax-effective mechanisms.*

1.2. *We support the long-held Parliamentary principle dating back to the 17th Century to exempt charities from income tax. The public benefit that charities deliver has meant that a consistent approach to exempt charities from income tax has been adopted and complemented through public policy over subsequent years which should continue to be at the heart of future charity tax policy.*

1.3. *We recognise that for every £1 of tax relief provided, that is £1 that could go to the public purse and be allocated to Government spending. However we believe – and would like to see the Tax Commission assert as a core principle - that where there is a choice between a charity spending that £1 towards its mission, or Government collecting, and then spending that money according to Government priorities, maximum public benefit is delivered through the charity using that money to further its objectives. The presumption for charity tax policy, its purpose, should therefore be to enable charities to maximise their assets for the delivery of public benefit. The impact that charity tax policy can have on delivering services and meeting need for beneficiaries and causes should be at the heart of the review.*

1.4. *Establishing key principles on charity tax will also help to make clear a consistent Government approach in charity sector policy more generally. The recent consultation on a new Civil Society Strategy was clear in setting out the public benefit that the sector delivers above and beyond the purpose of an individual organisation: supporting people - including young people - to play an active role in building a stronger society; unlocking the full potential of the private and public sectors to support social good; helping improve communities to make them better places to live and work in; building stronger public services. These are additional benefits and value that charities deliver through the nature of their work that should be recognised in reviewing the tax system for the sector going forward.*

1.5. *We believe that this assertion of the purpose of charity taxation policy should lead to a change of language and tone around charity tax. Too often it is viewed or thought about as an 'exemption', or a 'loophole', and therefore something that is discretionary with the veiled threat of it being taken away or restricted. We would like to see a firm and clear affirmation that charity tax policy is not about 'exemptions' or a 'giveaway', but instead a central part of taxation and public policy that is in place as it is the best and most effective way of putting that money to public good.*

1.6. *An important additional aspect of charity taxation which should be appreciated is how it can be used as a signifier to recognise and the role and worth of charities in society. Seeing Government recognise and affirm the value of the charity sector by structuring policy that enables those organisations to do more good is an important marker for businesses, high net-worth individuals, and the general public about the role and status of charities in the UK and also helps to promote and encourage giving. Recent Government communications and messaging encouraging individuals to Gift Aid donations where they have paid sufficient tax is a welcome and positive development that we would like to see continued and replicated across relevant tax-effective giving mechanisms.*

1.7. *There are also important further benefits (beyond the money) of charity taxation that should be recognised within this review in relation to enabling charities to raise more money. It can:*

- *Enable charities to have a physical presence to raise awareness of their cause, recruit volunteers, fundraising opportunities (Business Rate relief)*
- *Reduce the cost of fundraising, administration/operations, delivering services (VAT)*
- *Show government support for fundraising and promotion of giving (Gift Aid, Payroll Giving, IHT relief)*
- *Provide charities an extra opportunity to have a conversation with a supporter (Gift Aid, IHT relief)*
- *Act as a 'prompt' for people to give, and to give more*

1.8. *However, we appreciate that there are some areas where charities should pay tax (for example, National Insurance for employees) and are not advocating that all charities should be exempt from paying all and any tax. Instead, we want to see a holistic and consistent approach applied to charity tax policy as a whole, which can then guide detailed decisions on each area of tax to ascertain the best and most effective application of that mechanism to achieving the most public benefit.*

1.9. *Often, charity tax policy is reviewed in isolation to specific mechanisms or areas (VAT, Gift Aid, inheritance tax). We believe that a clear articulation of the overall objectives and desired outcomes for a holistic charity tax policy is needed and would be welcome. Within a clear and focused purpose for charity taxation, we believe that overall there should be three main themes that guide policy in each area of tax policy:*

- *An overall presumption should be applied that where tax relief can be granted, it should be, so as to enable charities to deliver maximum public benefit*
- *That the individual tax reliefs are simplified, where possible, to enable more charities and donors to engage and use the mechanisms available*

- *Tax reliefs on donations are structured in their implementation to best encourage donations and maximise the value of those gifts*

1.10. *Thought should be given as to the objectives and public policy outcomes that we would like to encourage or support through the tax system, and then look across different tax mechanisms to see how they can work together, or in a complementary way, to ensure that these are achieved. For example, starting with the question of: 'How can we use the tax system to best encourage gifts in wills, and the value of those gifts' will then shape different individual tax mechanisms (VAT, inheritance tax, etc), and ensure consistency in the system. Looking horizontally, at the policy objectives, rather than vertically in the individual areas of tax would be a positive and constructive way forward.*

1.11. *At the same time, we also need to ensure that through the tax system we are creating the right levers to encourage or promote certain behaviours, such as charitable giving. In doing so, we need a range of solutions and policies which will reach the fullest range of the population. Tax-effective giving should not only be for the rich, but the system should work best to provide opportunities for everyone who pays tax to support charities and maximise the value of those gifts.*

1.12. *A further objective of the Charity Tax Commission should be to review how we can get a more simple system (for both charities and donors), both conceptually, as well as in practice. The time that is spent on administrating and navigating the tax system from charities and fundraisers is significant – simplification of the different processes could make a significant difference in saving costs and freeing up staff time.*

1.13. *We encourage the Charity Tax Commission to be bold and ambitious in its scope and in proposing a guiding principle for a successful tax system that will best enable charities to deliver the most public benefit. Where more innovative, audacious, and dynamic ideas are proposed for different tax reliefs we would encourage further discussion and consultation takes place. This will help to ensure that any potential proposals are properly informed through further feedback to avoid any potential unintended consequences are avoided and any practical considerations and implications of changes are taken into account.*

Comments on individual tax reliefs

Please use the headings below to comment on the effectiveness and efficiency of individual tax reliefs and provide suggestions for reform.

Value Added Tax (VAT)

While there is no general VAT relief for charities, a number of special reliefs, exemptions, zero ratings and concessions exist which cover many supplies to and made by charities. The current regime treats charities differently depending on the types of service they provide and whether or not they charge for their services. Those that do not charge are treated as the final consumer even when they are not. As a result, they are unable to recover VAT on purchases (input VAT) made to support their activities. Most of the charities that charge for their services are unable to recover input VAT because their services are exempt (estimated to cost £1.5bn a year). VAT relief was worth approximately £400m to charities in 2016-17.

2.1 *VAT is essentially additional charge on the 'cost of doing business' where organisations trade a good or a service. In relation to charities, VAT seems to have evolved iteratively over time and has resulted in a complex and complicated system for charities to navigate. VAT is one of the more complicated areas of tax, and the charity aspect is one of the more complex areas of VAT. We would like to see the Charity Tax Commission review the way that VAT operates for the sector, what is chargeable, what is exempt etc, and propose a more streamlined and consistent system that is easier for charities (and their partners) to use and understand, with a view to providing more relief for the sector.*

2.2 *Irrecoverable VAT is an area that should also be looked at in particular. With an estimated £9,000 bill for irrecoverable VAT for each registered charity we believe it should be specifically reviewed with the intention of reducing this amount. Specific rebate schemes have been set up (air ambulance, blood bikes, hospices) and this should be extended across the sector as a clear opportunity to reduce costs for charities.*

2.3 *The lack of clear information and insight on unrecovered and unrecoverable VAT that charities pay across the sector – as well as how and where it impacts different sizes and types of charities – should be reviewed to provide accurate information to help establish where VAT costs have the most impact.*

2.4 *On fundraising activities and materials, often VAT is zero-rated or exempted – for example on charity fundraising events (where the event meets the qualifying criteria). We would like to see this principle extended across all fundraising costs and activity – so that where charities spend money specifically on raising donations and income, VAT is not charged. As fundraising changes (e.g, more online, through different technology and payment mechanisms, innovative campaigns) the more likely it is that VAT costs will incur and increase the overall cost of fundraising. Reviewing VAT now to ensure that a consistent approach is taken across VAT for charities would be welcome to get a more simple system, as well smooth out inconsistencies on fundraising activities where VAT is charged when it could be exempted or zero-rated.*

2.5 We also would like to see some flexibility built into the VAT system by bringing in learning through the Behavioural Insights Team about how 'nudge' type policies can influence change. For example, we would like to see VAT charges removed from the cost of writing a will where a legacy gift is included. This would give solicitors and will writers an obvious opportunity to raise the question of whether someone wants to leave a gift to a charity in their will and potentially raise millions, if not billions of pounds more, for charities in future legacy gifts.

Gift Aid

Gift Aid allows charities to claim tax relief – 25p in the pound – on gifts and donations made by UK taxpayers. If the donor is a 40 per cent taxpayer, further tax relief of 20 per cent (the difference between the current higher rate of income tax of 40 per cent and the current basic rate of tax of 20 per cent) can be claimed by the donor themselves (not by the charity). Gift Aid was worth approximately £1.28bn to charities in 2016-17. Higher Rate Relief was worth approximately £520m to individuals.

3.1 Gift Aid helps charities do more to make a real difference for good causes and makes donations to charity go even further. The money it raises is hugely beneficial to the sector – and importantly contributes to unrestricted income that is ever-more difficult to raise. Gift Aid is the current mechanism for delivering the long-held principle that money donated to good causes should not be subject to tax. Over the years, Gift Aid has changed and evolved, and we believe it should continue to do so in order to make it easier for people to give Gift Aid, charities to claim, and to keep up with changing technology.

3.2 At a high-level, part of the reason that Gift Aid is not claimed on as many eligible donations as possible is because of the push/pull impact of two policy objectives that are simultaneously pursued by Government; 1) to maximise the Gift Aid claimed on eligible donations, and 2) the need to reduce as far as possible the amount of Gift Aid that is claimed on donations where no or insufficient tax has been paid. The tension between those two objectives has resulted has resulted in well intentioned policy being hindered by the method of its implementation and operation. For example, the wording and changes to the Gift Aid declaration, the need for donors to go through multiple verification steps on online platforms, the Gift Aid donor/benefit rules, do not work consistently to best encourage Gift Aid donations.

3.3 While we understand and appreciate the need to ensure that requisite tax is paid on donations where Gift Aid is claimed, too often a cautious and risk-averse approach is favoured. Instead, there needs to be a coherent approach which puts the objective of raising more money through gift aid *front and centre of operational policy. This is an opportunity for the shaping Gift Aid policy to deliver greater success of Gift Aid in the future.*

3.4 One area where we would like to see further thought and consideration given in Gift Aid is the operation of Higher-Rate Relief where we think that changes could be made to enable higher rate tax payers to more easily and simply ensure that charities can get the maximum value on donations. While the ability to claim tax back may be an incentive for some higher-rate tax payers (more likely at the wealthier end of the scale and where individuals have wealth managers and advisors), there is an opportunity for those who earn less (e.g, £43,000 - £100,000), and who do not claim tax back themselves, to donate the full value of the relief available to the charity. Currently, for them to give the full value of the tax relief to the charity, they have to claim the higher rate tax back themselves, receive the money from HMRC, and then donate that tax to the charity, creating a three stage process that can take months to go through. We would encourage this part of Gift Aid to be looked at, and again consideration given as to whether a change could be introduced to maximise the value of the donation. For example, introduce a presumption that a higher-rate taxpayer wants all their tax to go to the charity (but still enabling them to claim the tax back themselves if they want) or look at a 'nudge' type approach which could encourage individuals and make it more simple for them to give that money where they want to.

3.5 The changes made in recent years to the process of registration, administration, and claiming of Gift Aid should be reviewed to ensure that they are working well and properly. Any difficulties or negative impacts should be addressed so that finance and fundraising staff, and volunteers, are able to easily use the system.

3.6 An area which is not specifically asked about in this call for evidence, but that we think should be included in discussions and consideration, is Corporate Gift Aid. When Corporate Gift Aid was originally set up, it worked in a similar way to general Gift Aid (with charities claiming back the tax relief so that the donation they received was 'topped up'). This was subsequently changed so that companies claimed eligible relief, and then made a 'pure' donation to the charities. We understand that there were stated administrative and operational advantages of this change for charities which would mean that they would spend less time processing and claiming. However, the available evidence does not seem to indicate that it has resulted in any further increase in corporate giving or the amount that charities receive from businesses. We do not necessarily advocate a return to the previous system – but instead believe that there should be a review of Corporate Gift Aid as a whole to assess whether the changes were a success and examine how the system can work best to maximise the amount of money charities receive through tax exemptions or incentives for corporate entities.

3.7 Finally, we are aware of potential bolder changes and suggestions for the future of Gift Aid (for example, applying a flat rate of Gift Aid that can be claimed on all donations – or a percentage of voluntary income from individuals – rather than it being linked to an individual's tax status). While *we are open to reviews of the system where it could deliver substantial benefits and clear opportunities for the sector, the importance of the money donated not being subject to tax is an important and long-held principle that fundamental changes to Gift Aid could change and so would need thorough consideration and assessment (including practical implications and scoping) and further full consultation.*

Gift Aid Small Donations Scheme

The Gift Aid Small Donations Scheme (GASDS) allows charities to claim a gift aid-style top-up on small donations, in situations where it wouldn't be feasible to collect Gift Aid declarations, for example where a collection tin or bucket is used. Charities can claim up to £2,000 a year under the scheme (on cash donations of up to £8,000). GASDS was worth approximately £29m to charities in 2016-17.

4.1 The Gift Aid Small Donations Scheme was a positive and welcome idea, but the success of the scheme has been underwhelming. It was anticipated and expected to deliver more for charities and provide much needed extra income, particularly for smaller organisations. However, the predicted £100m additional money for the sector has failed to be reached.

4.2 We believe that in the main this was because the model of implementation for GASDS hampered its effectiveness, its accessibility, and its success. The IoF (together with the Charity Finance Group, NCVO, and the Small Charities Coalition) has made clear to Government our views calling for reform. While there were some positive changes made in April 2017, in respect to relaxation of eligibility requirements, clarification of community building rules, and extension to contactless payments, the scheme continues to underperform.

4.3 Too many charities find GASDS too complex to engage with and, given the limited amount of time from staff and volunteers at smaller charities, it simply is not worth the effort for many to engage with a scheme that looks too difficult to use and seems disproportionate. The presentation, criteria, and claiming system in place for GASDS need to be overhauled – it should be much simpler and intuitive for charities to use. Without significant change here it will be unlikely to ever be able to succeed in its aims.

4.4 Some of the eligibility and operating criteria for GASDS should also be reviewed. The £20 transaction limit should be raised (to at least match the £30 limit for contactless payments.) We also think that the need for a charity to be previously registered with HMRC and have made Gift Aid claims in the past should be removed as it creates an unnecessary barrier to bring new organisations in to the scheme. An uplift in the amount that can be claimed would also help to encourage more organisations to engage with GASDS. GASDS was a good idea which has been undercut by its implementation – a review and change in operation is needed so GASDS can realise its objective.

Business rates relief

Business rates are a tax on occupancy, which any charity that owns or rents a property is liable to pay. Charities receive a mandatory relief of 80% of their business rates bill. Local authorities are able to grant discretionary relief on the remaining 20% that charities have to pay, although on average they only receive a further 2.5% relief. Business rates relief was worth approximately £1.87bn to charities in 2016-17.

5. *This is not an area where we have detailed comments – however we would like to state our strong belief in the maintenance of the mandatory relief charities receive on business rates. For fundraising, a high-street presence of charity shops is hugely important for the brand-awareness of charities in local communities, opportunities for recruiting volunteers, as well as generating earned and voluntary income. Without business rate relief some charity shops would not be able to operate, leading to reduced income for charities across the country, more empty high streets, and a loss to communities. In the current fiscal and spending environment, we understand the need for local authorities to maximise their revenue; however, it is regrettable that the need for local councils to collect money to fund local public services comes at the expense of charities who exist to also provide public benefit. We would welcome a review of the operation and model for business rates to assess how and where charities are able to more consistently receive discretionary relief wherever they operate.*

Capital Gains Tax

Charities sometimes hold assets such as land, property or investments which when sold may be subject to Capital Gains Tax on any profit made. Charities are exempt from Capital Gains Tax if the gain accrued is both applicable and applied for charitable purposes, including the use of funds for the general administration of the charity.

6. *We have no particular comment on Capital Gains tax, however we would like to see the Tax Commission consider how it can best be used to encourage individuals who sell investments or property to donate profits tax-effectively to charities.*

Inheritance Tax

Leaving a part or an entire estate to a charity can reduce or eliminate an Inheritance Tax liability as it will not count towards the total taxable value of an estate. An Inheritance Tax liability can also be reduced from 40% to 36%, if 10% of a 'net estate' is left to a charity in a will. Inheritance Tax relief totalled approximately £840m for individuals in 2016-17.

7.1 Donations given as legacy gifts either: are taken off the value of an estate before Inheritance Tax is calculated; or reduce Inheritance Tax rate if more than 10% of someone's estate is left to charity.

7.2 However, as well as the tax relief itself, we also know that one of the biggest benefits of IHT rate relief is that it gives an opportunity for advisors to talk to clients about charitable giving. This is critical for legacy giving as experience shows us that there is a direct correlation between the framing of the conversation between an individual and an advisor during the will-writing process, and the likelihood of that individual to leave a gift in their will. As such, even if there is no change to the inheritance system specifically related to charitable gifts, wider changes could have a subsequent impact both the number and value of legacy gifts.

7.3 One of the greatest challenges with legacy giving is that most people are simply not aware that they can support their favourite charities in this way. There is also a widely held misconception that legacy giving is only for the wealthy, which is reinforced by the IHT threshold rate incentive.

7.4 More than one third of solicitors currently do not prompt their clients to leave a charitable gift in their Will. Research by the Behavioural Insights Team (2013) with Remember A Charity shows that the legacy giving donation rate could double if solicitors simply asked clients if they would like to consider leaving a charitable gift. Three-quarters of adults say that they're open to the idea of their own solicitor mentioning the charitable option as part of the Will-writing process.

7.5 If we could encourage all solicitors and Will-writers to mention the option of charitable giving during the Will-writing process, we could move towards becoming the first country in the world where legacy giving was the social norm. We know that tax incentives open up the conversation between advisors and clients and research from Michael Sanders and Sarah Smith (University of Bristol) shows that prompting has an impact on giving, and a further uplift at the IHT threshold.

7.6 Based on the evidence and research, we estimate that the number of people who leave a gift in their Will could almost double if legacy giving were to become an integral part of the advisor discussion was framed in the right way. A review of the tax system should consider a tax incentive for everyone who leaves a charitable gift, in addition to the fewer than 10% eligible for IHT. This, alongside the proposal to introduce a VAT exemption on fees, would ensure that all solicitors raise the charitable option with clients and extend the Government's existing financial incentives for legacy giving, which fewer than 10% of the UK can currently benefit from.

Insurance Premium Tax

Insurance Premium Tax (IPT) is a tax on general insurance premiums. There are two rates: a standard rate of 10 per cent and a higher rate of 20 per cent for travel insurance and some insurance for vehicles and domestic/ electrical appliances. Charities are liable for Insurance Premium Tax, although lifeboats and lifeboat equipment, and block insurance policies held by Motability which covers disabled drivers who lease their cars through the scheme are exempt (the exemption does not cover disabled drivers generally).

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8. *We have no particular comment.*

Climate Change Levy

The Climate Change Levy (CCL) is a tax on energy delivered to non-domestic users in the UK which aims to incentivise energy efficiency and reduce carbon emissions. Charities are exempt from the Climate Change Levy for premises where at least 60% of activities carried out are classified as non-business.

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9. *We have no particular comment.*

Social Investment Tax Relief

Individuals that invest in charities can receive a reduction in their tax bill to provide an extra incentive to socially invest. Social Investment Tax Relief works by reducing the income tax bill of an investor by 30% on shares they buy in Community Interest Companies (CICs) or loans that they provide to charities, CICs or community benefit societies.

10. *While we appreciate the value in charities being able to access a range of finance opportunities through social investment, and recognise that tax relief is important to enable investment, we are mindful of the potential impact of this. We think that the most value to the sector (and public benefit) is achieved when charities have money and assets to use themselves for their cause, rather than lending money to charities which will need to be paid back. Tax relief for social investment should not be structured in a way that is equally or more beneficial, or attractive, to individuals than donating would be.*

Stamp Duty Land Tax

Charities can get relief from Stamp Duty Land Tax (SDLT) when they buy land and property for charitable purposes. A charity can claim some relief when they buy land and property jointly with a non-charity buyer with the charity claiming relief on its share of the property. Based on the latest provisional data, SDLT Charities Relief was worth approximately £220m to charities in 2016-17.

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11. *We have no particular comment.*

Lottery Duty

Lottery Duty is a 12 per cent duty on tickets in a lottery promoted in the UK. Exemptions from Lottery Duty include non-commercial lotteries, commonly held at charity fund raising events, and small society lotteries promoted wholly on behalf of a society established for charitable purposes.

12. *The current exemptions from Lottery Duty to fundraising through lotteries is welcome and should remain. Currently, society lotteries are limited in their ability to raise money for charities due to the regulatory requirements on prize draws, caps, and the prize money available. Changes to the lottery duty could make some lotteries unviable and we would like to see the exemption continued so that they can remain as a valuable fundraising mechanism.*

Community Infrastructure Levy

Community Infrastructure Levy (CIL) is a tax levied by a local authority on the carrying out of a qualifying development in England and Wales, charged at £X per square metre on the increase in gross internal area. Charitable relief is mandatory where a charity owns a material interest if the development is to be used wholly or mainly for charitable purposes.

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13. *We have no particular comment.*

Cross-border giving

UK charitable tax reliefs are extended to certain organisations in the EU, Norway, Iceland and Liechtenstein that are equivalent to UK charities. To qualify, an organisation must meet the definition of a charity in England and Wales and must be established for charitable purposes as set out in the Charities Act 2011. They must also be registered with any charity regulator in their home country.

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14. *We believe in excellent fundraising for a better world and the ability for people to give to causes and charities that they care about around the world. The long-held principle of charitable donations being exempt from income tax should continue to be applied for eligible charities outside of the UK.*

Other areas of taxation for comment

In addition to the areas of relief outlined above, respondents are invited to provide their views on other areas of taxation, including, but not limited to, corporation tax, income tax, payroll giving, employment tax, anti-avoidance legislation, import duties, the Apprenticeship Levy and Annual Tax on Enveloped Dwellings. Please provide a subheading for each issue being addressed.

Enter text here:

15. *Payroll Giving is the scheme which enables employees to be able to give through their pay where their employer is signed up to a scheme – it enables people to directly give a donation and automatically enables that gift to be tax effective. Essentially the principle of donations not being taxed can be achieved either through Gift Aid, or through Payroll Giving. However, Payroll Giving is more effective in that it will enable higher rate tax payers to give the full amount of tax as part of their donation, rather than Gift Aid where that money can be claimed back by the individual. Changes in recent years have made Payroll Giving more effective and easy to use and administer for charities, with the introduction of consistent reporting and transparency from Agencies. Payroll Giving is a good scheme that can work well, however we believe that more can be done to encourage employers to start and promote schemes to enable more donors to give this way.*

Transparency

The UK regime of tax reliefs can seem out of step with the general trend towards greater transparency in other countries. For example, in the USA and Canada, the government publishes data about the extent and nature of charity tax reliefs. To what extent is the public benefit from UK tax reliefs plainly visible? How can the UK system be made more transparent without increasing burdens on charities?

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16. *We have no particular comment at this stage, but would welcome the opportunity to review and discuss potential changes around transparency. It is clear that further data and insight would be useful on tax reliefs so as to be able to understand which charities benefit, who is burdening grater costs, and to gain a greater understanding of the behaviour and actions of donors – we believe that there are particular opportunities that can come from a better understanding of high net-worth individuals and their philanthropic gifts.*

Other comments

Please use this section to provide any further comments which you would like to raise which might be of interest to the commission, including, but not limited to, potential future pressures on tax relief and issues relating to digital and technological change.

17. We have no particular comment at this stage

Submitting evidence to the Charity Tax Commission

Please submit your completed forms to info@charitytaxcommission.org.uk. Please include your name, or where applicable, your organisation name in the subject line.

Please submit your evidence by 17.00, Friday 6 July 2018. Unless respondents indicate to the contrary, it will be assumed that they have no objection to their response being made public. If you have any questions about the Charity Tax Commission or this document, please contact paul.winyard@ncvo.org.uk