BHP Chartered Accountants

Briefing note

March 2017

Charities: Budget 2017

In a Budget that positively focussed on health and social welfare, there were once again few specific charity measures. As previously announced, the Museums and Galleries Tax Relief has been confirmed and an extension to the Social Investment Tax Relief is on the horizon. The sector should also benefit from a number of funding measures.

Overview

Over the last few years we have seen some targeted reliefs for the sector.

The Gift Aid Small Donation Scheme has been reviewed and there is the ongoing consultation in respect of Gift Aid Donor Benefits.

We now seem to be in a period of quiet, with few new developments on the horizon.

Museum and Galleries Tax Relief

This new tax relief was originally announced at Budget 2016 and will apply to museums and galleries which develop new exhibitions including those that are toured. A consultation has taken place and the provisions allow qualifying touring exhibitions to claim relief at the rate of 25% and a maximum credit of £100,000. Qualifying non-touring exhibitions will be able to claim relief at 20% up to a maximum credit of £80,000.

One of the consultation outcomes is that exhibitions that include live performances will be eligible, as long as the live performance is not the main focus of the exhibition.

Social Investment Tax Relief

As announced at Autumn Statement 2016, there are to be changes to the scheme effective for investments made on or after 6 April 2017.

The main change is that there will be an increase in the amount of investment that the organisation can raise under the scheme to £1.5m (where received within 7 years of commencement of trade). Other changes in relation to the investee organisation are regarding the number of employees and excluded activities. The investor must be independent of the organisation and one of the main reasons for making the investment must not be to deliver a benefit to the investor.

Insurance Premium Tax

The standard rate of IPT will increase to 12% from 1 June 2017 as announced in the Autumn Statement 2016. This will be a significant additional cost for the sector.

Employment tax updates

With effect from 1 April 2017, the National Minimum Wage will be increased to £7.50.

Employers can choose to remunerate their employees in various ways, but the tax system deals with different forms of remuneration in different ways. In order to make the tax system fairer the taxation of benefits in kind and employee expenses is to be reviewed. This will include a review of the valuation methodology of benefits, accommodation benefits, and employee benefits.

Tax free childcare

The scheme which will allow parents to receive up to £2,000 of tax relief per qualifying child, begins during 2017/18. This means that providers of qualifying childcare need to be registered with a regulator and must also sign up online so that they can receive the vouchers.

VAT registration and deregistration thresholds

The VAT registration threshold will increase to £85,000 with effect from 1 April 2017 (up from £83,000). The deregistration threshold will rise to £83,000 (from £81,000).

Motor vehicles adapted for use by handicapped persons

The qualifying conditions which allow handicapped persons to purchase vehicles that have been substantially and permanently adapted for wheelchairs at the VAT zero rate will change with effect from 1 April 2017.

Funding announcements

A number of funding measures were announced, some specifically targeted at charities and there are other where it is hoped that organisations in the sector will benefit.

Specifically, funding of £20m will be provided to organisations tackling domestic violence and abuse and providing support to victims.

A range of women's charities will benefit from £12m during 2016-17 as a result of the Tampon Tax. The list of charities that will benefit will be published before the end of March.

Making Tax Digital

The sector is grateful for a charity exemption from Making Tax Digital, however it was hoped that this would be extended to trading subsidiaries. Unfortunately, there has so far been no such announcement. This means that trading subsidiaries will need to report in year to HMRC by 2020.

Start the conversation today

For further information on any of the above measures or any other charity related query contact your BHP account manager or one of our tax specialists.

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