Autumn Statement 2023

Charities

What the Autumn Statement means for the Charity sector

Whilst listening to today's Autumn Statement you could be forgiven for wondering whether the Chancellor knew the charity sector existed. In his speech, the sector was only mentioned once in passing, despite there being 110 proposed measures.

There was no mention of the recent charity tax compliance consultation either, which was a little disappointing.

In spite of that, the sector was not completely ignored in the detailed notes as there were some positive announcements made that will impact the sector, namely pledging £795million over the next five years towards mental health as well as £7million of funding for organisations to help educate and tackle antisemitism in schools and universities, but still much lighter compared to the earlier Spring Budget.

Employee Remuneration

By far the biggest relevant tax headlines were the announcements in relation to National Insurance contributions. Class 1 Employee National Insurance, which is currently charged at 12% on earnings between the primary threshold and upper earnings limit, will be cut to 10% from 6 January 2024. This is a major change that is coming into force in two months' time, so there is very little time for payroll software providers to update their software.

Payroll staff in charities, and their trading subsidiaries, will need to keep this in mind to ensure their software is ready for the change.

The Chancellor also announced an increase to the National Living Wage which will rise to £11.44 from April 2024. This will need to be considered when budgeting from April 2024 onwards.

VAT

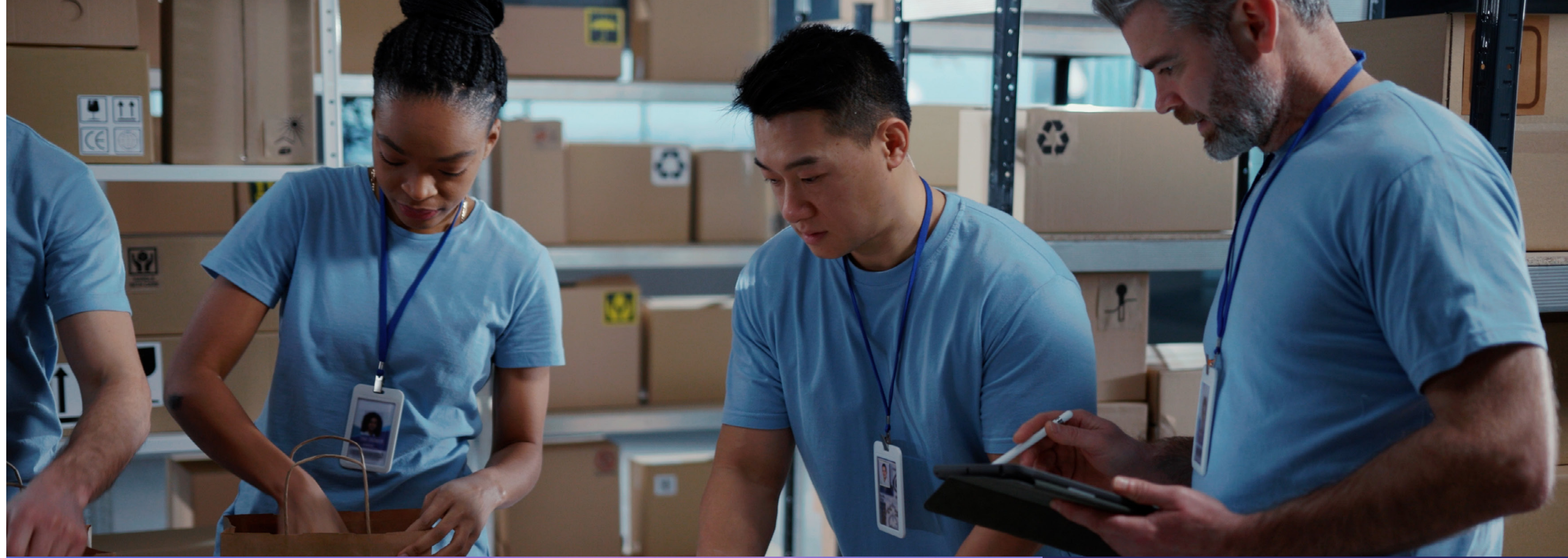
Very little was mentioned in terms of VAT, but it was announced that VAT relief on energy saving materials will be extended to buildings used solely for a relevant charitable purpose.

This means energy saving expenditure on qualifying buildings will benefit from 0% VAT until April 2027, when it will be restored to the original rate of 5%.

Interpretation of VAT and Excise Law — Post Brexit

Legislation will be introduced to clarify how retained EU VAT and excise law should be interpreted post Brexit.

In brief, where UK law is different from EU law, the legislation will make sure that UK law takes precedence over any retained EU law.



Business Rates Relief

Trading subsidiaries of charities that claim business rates relief will continue to benefit from the enhanced relief as measures were announced to extend the 75% relief for the retail, hospitality and leisure sector until 31 March 2025.

A cap of £110,000 still remains.

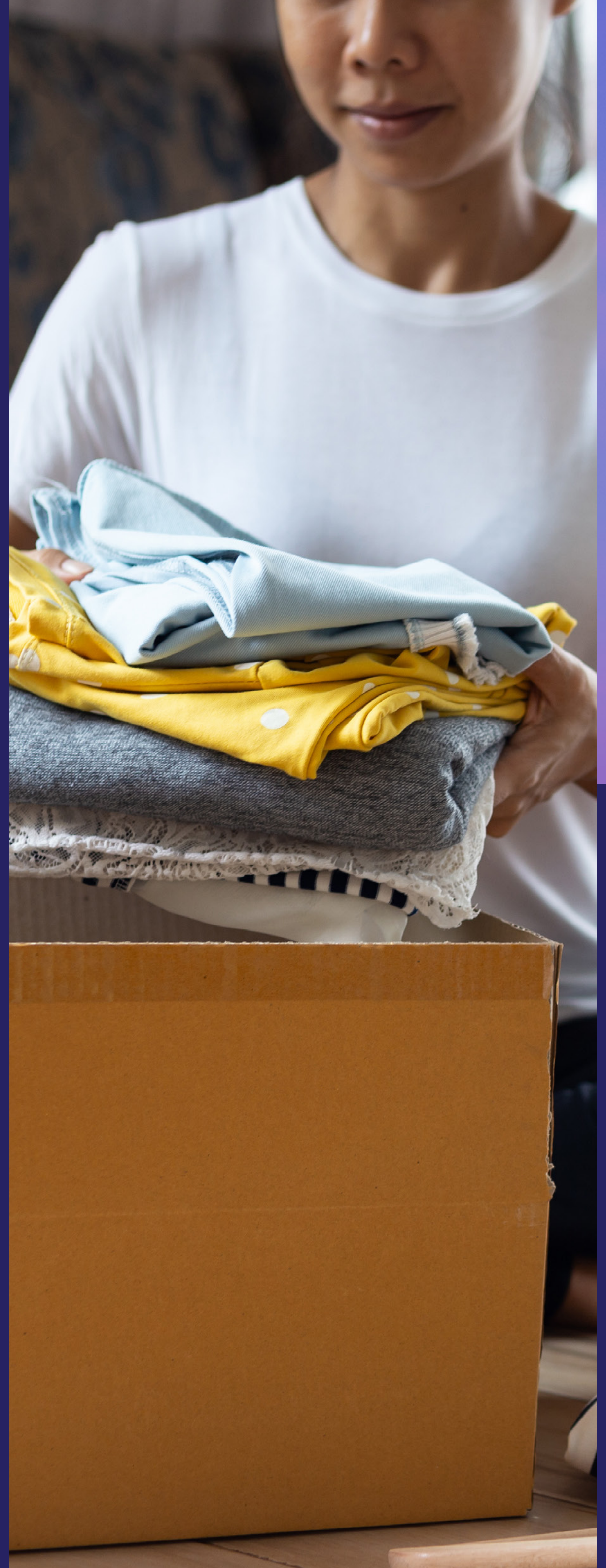
Cultural Tax Reliefs

Whilst the Chancellor in the Spring Budget announced numerous changes to extend the enhanced tax rates offered for various cultural tax reliefs, several minor changes have been announced:

1. Legislative changes to clarify exclusions and definitions. Various changes to the legislation will come into force from 1 April 2024 to clarify the eligibility of costs and productions. The main changes of which are:

- The exclusion of capital expenditure for Theatre Tax Relief ('TTR') and Orchestra Tax Relief ('OTR')
- The exclusion of costs incidental to productions for TTR, OTR and Museum and Galleries Exhibitions Tax Relief ('MGETR')
- The requirement for physical admission to exhibition for MGETR.

2. Clarification of administrative requirements
Whilst the sector was aware that there would be a requirement for charities claiming creative or cultural tax reliefs to complete an online form to accompany the submission of any claims, it has been announced that this measure will be mandatory for cultural tax reliefs from 1 April 2024.



Previous announcements

Cultural Tax Reliefs — Rates of Relief

The enhanced tax relief rates for MGETR and TTR of 45% for non-touring and 50% for touring productions will continue until 31 March 2025, falling to 30%/35% for one year, until 1 April 2026 when the original rates will be restored to 20%/25%.

Brexit

As a result of Brexit, the Government has restricted the availability of tax reliefs to UK charities and community amateur sports clubs, as well as removing tax relief for UK donors on donations to overseas charities.

Personal Tax Allowance and Thresholds

The personal allowance and personal tax thresholds are still frozen, which means that more people will start paying tax and, therefore, there may be donors that can Gift Aid their donations when previously this was not the case.

Corporation Tax Rate

The corporation tax rate increased to 25% with effect from 1 April 2023 for companies with profits in excess of £250,000. This means that companies that make donations to charities now benefit from 25% tax relief rather than the previous 19%.

If you have any questions in relation to what we have mentioned here, please get in touch with your usual BHP contact.

Integrity.
Innovation.
Insight.

BHP

Contact Us

+44 (0) 333 123 7171
bhp.co.uk