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The Good, The Bad and The Ugly

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SERGIO LEONE
IL
BUONO
IL
BRUTTO
IL
CATTIVO

The Good

- The 2024 budget sets out the new government’s tax, welfare and spending priorities up to March 2026, with a framework for spending beyond April 2026.
- The Institute for Fiscal Studies called it the most important budget since the 2010 austerity measures
- Also previews the spring spending review which allocates funding for central government departments through to March 2029
- A first look at the new landscape for the charity and not for profit sector

The Good

- A 3.2% rise in core local government spending with at least £600m in new funding for social care
- A 1.8% annual real terms rise for all central government departments through 2029/2030
- Support for individuals and carers by reducing Universal Credit debt deductions
- £1.6bn to support children with special educational needs and disabilities
- Funding for hardship support

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The Good

- Real increase in local government funding which should see
    - greater support for voluntary organisations via local government grants and contracts
    - Support where public services fall short
    - A shift in government’s approach to funding local public services
    - aims to simplify local government funding and commits towards multi-year settlements

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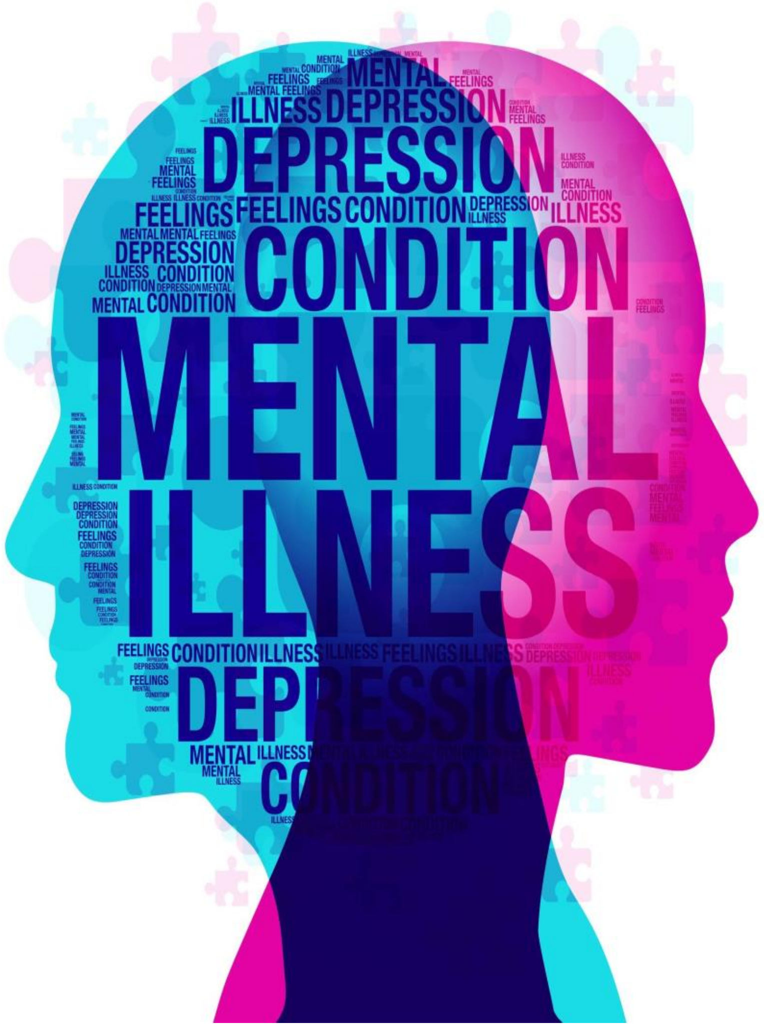
The Good

- Education funding – an additional £30m for free breakfast clubs
- £240m for local trailblazer programmes
- £26m for mental health crisis centres
- £300m for further education and £40m for the Growth and Skills levy
- New legislation to prevent charity tax rules abuses to take effect from April 2026



The Bad

- Il Cattivo…… The Bad
- Is this really a false dawn?
- Promise of end to austerity welcomed but needs to be felt in real terms
- Tough economic climate – and looks to remain so post budget announcements

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The Bad

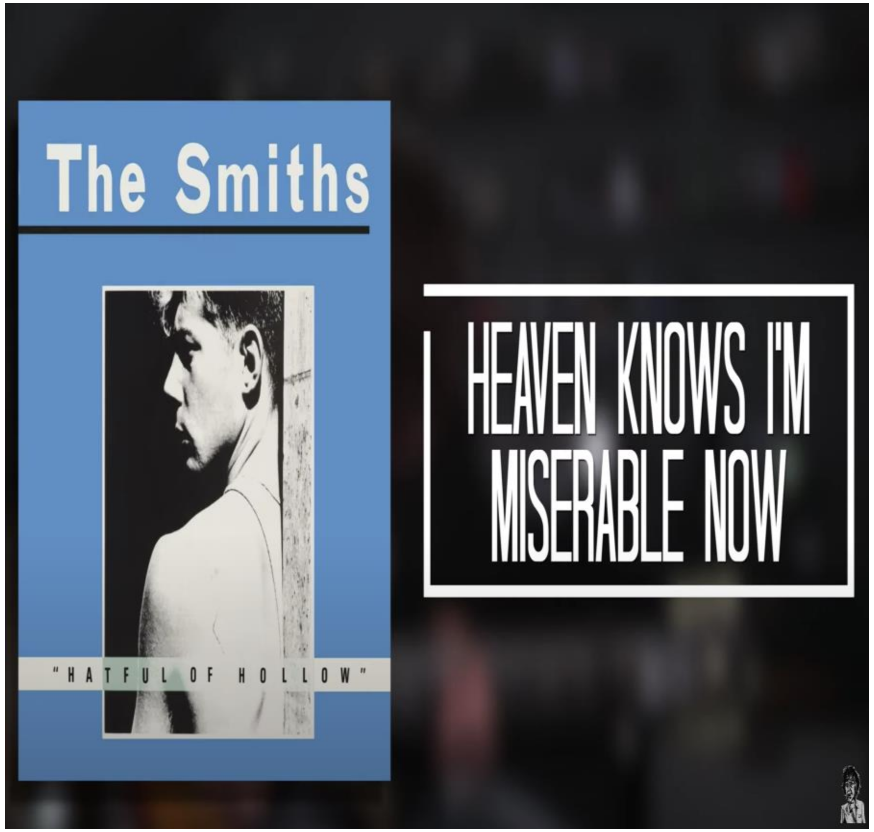
- The Charity and Not For profit sector employs over one million people
- Increase in Employers National Insurance contributions from 13.8% to 15.0%
- Employers NI payable from a lower point as threshold reducing from £9,100 to £5,000
- Minimum wage for over 21's will increase from £11.44 to £12.21, an additional £1,400
- Rates for 18-20 year olds will also increase to £10 per hour – an additional £2,500

The Bad

- St Wilfrids Centre has an annual income of £500,000
  - £390,000 is the salaries and wages of delivery staff
  - Limited discretionary spend will be severely impacted by the changes, or
  - Reductions in delivery staff?
- Rockstar Roger Daltrey warned Chancellor Rachel Reeves an increase in employers' national insurance contributions will be "catastrophic" for cancer charities
  - Raise more money or lay off delivery staff

The Bad ?

- I'm not a VAT specialist!
- VAT on Private School Fees confirmed at standard rate from 1 January 2025
- Pre-payments of fees and boarding services on or after 29 July 2024 will also be subject to VAT at the standard rate
- Politics of jealousy or an example of how VAT can be directed to raise Revenue of £1.75bn
- Fully thought out?
    - Impact on state provision
    - VAT recovery within private schools
- From 1 April 2025 schools with charitable status will lose their eligibility to business rates charitable relief



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The Ugly – Il Brutto

- Tough economic climate – and looks to remain so post budget announcements
- You’ve heard of Triple Lock but how about Triple Squeeze
- Current trends:
    - Increased demand for services
    - Competition for funding
    - Increase in costs
- We expect many trustees will be focusing on sustainably meeting their beneficiaries’ needs whilst focusing on the challenges and opportunities arising as a result of these trends.

The Ugly

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- Many Charities will be supporting delivery through reserves as a result of the squeeze

- Thinking laterally about income generation…….and I've heard everything!

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Always consider your charitable objectives !

- Your charity's governing document, and some laws, set out the powers you can use to run your charity to help deliver its charitable purposes
- You and your other trustees must:
    - Only make decisions deliver your charities purpose
    - Have the right powers to carry out that decision
- Greater focus on this as try to fight the Triple Squeeze

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Income generated from Trust Property ?

- Picture is of Star House on Division Street
- Middle of Heart of the City 2
- Some vacant space following transfer of the Youth Services Contract back into SCC
- Need to replace rental income from other sources
- Challenge from legal advisers that becoming property landlords rather than meeting charitable objectives

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Investment Income ?

- Most Trustees have power to invest and borrow money
- Management of surplus cash to generate additional income
- No issue with charitable objectives but don't want to create a monster

Fundraising – trading or not ?

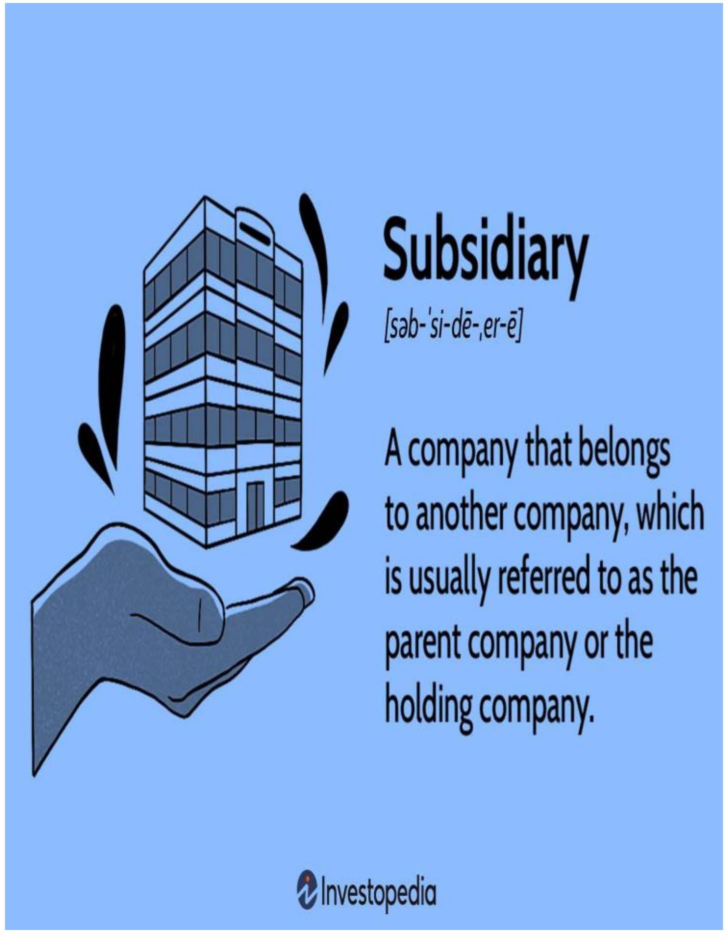
- If you are looking to raise further funds, the tax rules on whether this income will fall to be taxable should be considered:
- Fundraising events are activities organised by charities to raise funds for their charitable purposes
- Charities are generally exempt from paying tax on the income generated from fundraising events if the primary purpose is to raise funds for their charitable work. This means that money raised directly from the event (such as ticket sales or donations made at the event) would not be subject to tax.
- Eligible events are restricted to 15 events of the same kind in your financial year at any one location by a charity (including its trading subsidiary) or qualifying body

Non-primary purpose trading

- If you are looking to diversify – the income may fall within non-primary purpose trading
- Non-primary purpose trading involves activities that are more business-like in nature, such as selling goods or services. Examples could include running a café, selling merchandise unrelated to the charity's mission, or providing consulting services.
- If it is and the total income for non-primary purpose trading is above £80,000 in a year (the small trading threshold) this will be taxable
- Expenditure incurred on the trading income can be deducted – it is the net profit of that activity which is taxable

Planning

- May be ways to mitigate the tax if required – better to pre plan and speak to your adviser
- Trading subsidiaries are commonly used – if it is a profit making trading activity the profits can be distributed to the parent charity within 9 months of the year end to remove any taxable profits
- VAT position must also be considered when looking at trading and fundraising activities



Donor behaviour

- Receiving donations from individuals may have been impacted by the rising cost of living
- Budget presented a potential opportunity to appeal to high net worth individuals – given the inheritance tax changes to Agricultural Property Relief, Business Property Relief and Pensions
- The reduced rate of inheritance tax is still available where more than 10% of a persons net estate is left to charity. The rate becomes 36% as opposed to 40%
- This may be preferred by individuals who wish to leave a legacy to charity (and choose where this wealth is going) as opposed to paying it to the state in tax!
- Donations made by an individual to charity during lifetime are still exempt from any inheritance tax charges, and capital gains/income tax too – as well as potentially being available for the charity to claim gift aid on.

Tackling abuse of charity tax rules

- Original consultation in April 2024 – results now published
- Commitment to strength legislation to prevent the abuse of charity tax rules with new rules to be introduced in April 2026
- Expected measures:
  - Sanctions for non-compliance which may result in losing tax benefits
  - Amended Fit and proper persons test
  - Opportunity to rectify non-compliance
  - Education programme with Sector support
  - Updated rules to prevent donors from getting significant benefits

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Thank you

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