



Summer 2023

UNW's regular update
about topics of financial
interest to charities
and not-for-profit
organisations

Charity Bulletin

Charities Act Update

Anne Hallowell reflects on
some of the key changes

Dispelling common myths

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help charities

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Mark Thompson

Chair of Bright Red and Managing Partner at Ryder

Meet the team

Whether you are a registered charity, an academy trust or a not-for-profit entity, we understand your perspective and focus to ensure you do the best you can for your beneficiaries, students or communities.

Our experienced, specialist and multi-disciplinary team can work collaboratively to ensure solutions cover all aspects – including compliance, good governance and tax obligations.

If you have any questions about the topics covered in the publication, please contact a member of the UNW Charity Group using the details below.



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You're invited to UNW's next Charity Group event...

Charity Networking Breakfast

Date: Thursday 21st September 2023

Timings: Registration from 8:30am for 9:00am start/closing at 10:00am (approx.)

Venue: The Common Room, Neville Hall, Westgate Road, Newcastle upon Tyne, NE1 1SE

We're pleased to invite you to an informal session of networking with other like-minded people from the Charity and Not-for-Profit sector.

With the aim of encouraging conversation and collaboration, the event is designed to give you the opportunity to discuss any hot topics or current challenges with your peers, as well as to share your experiences and knowledge to support others.

Breakfast and refreshments will be provided.

To register your place, please complete the [online form here](#), or email events@unw.co.uk for further information.



Welcome to our Summer 2023 bulletin.



Welcome to our latest bulletin – and for anyone who thinks they had dropped off the mailing list I can only apologise for the hiatus in publication. We have been rather busy on other things, but normal service is now resumed.

In this edition, we have an interview with Mark Thompson, Chair of Bright Red, UNW's new Charity Partner. Touching on some pertinent issues, you can read about his background, the importance of business partnerships and some of the challenges the charity has faced in his time at the helm.

We are also re-launching our events programme and will kick off with a networking event at the end of September – full details of which are to the left of this page. Please come along and take the opportunity to chat to each other and to us in the UNW charity team about what has been going on and what the current challenges are, so we can then use that to guide future events into 2024. Feedback from our previous networking event back in 2021 was overwhelmingly positive, as we were able to introduce people on the day to others facing the same issues and connect people to help each other.

From what I hear, the funding landscape has changed post-covid, and so our next briefing in October will look at that, and will be a structured discussion from both sides of the table around what has changed, and what funders now expect. Stay tuned for more details nearer the time.

Looking forward into 2024, the next topic suggested is around social value, which flows from the changing funding landscape discussion.

Also in the bulletin is a round up on the changes to Gift Aid, some hints from the ICAEW on dispelling common myths in charity reporting, and a summary of the most recent changes in the Charities Act 2022 that came into force in June 2023.

I hope you all have a great rest of the summer and looking forward to catching up at the events in the Autumn after the break.

Anne Hallowell

Charity and Not-for-Profit Partner at UNW



Dispelling common myths about charities

The ICAEW has recently published practical guidance to help charities tackle common public misconceptions. I have summarised it here but can recommend the full publication for any particular areas of interest to you.

1 Charities spend too much money on fundraising

It would be unrealistic to expect charities not to incur any costs when raising funds, or to assume that all charities have the same cost ratios.

Although there is almost no direct correlation between what a charity's accounts show as income in a year, and the cost of raising that income, this is one of the statistics often cited by charities to demonstrate their fundraising effectiveness. However, this often results in flawed statistics and analysis.

Not all types of fundraising offer the same return on investment and many successful fundraising strategies include different types of activities to optimise the overall return, with some returns, e.g. from a legacy campaign, not being seen until years later.

Recommendations:

Developing and explaining a fundraising strategy to justify expenditure will show how the charity expects to fund its work. Trustees and senior managers should think clearly about what level of investment will be needed and where it will come from.

2 Charities should not make a surplus or build reserves

Charities face challenges in reporting surpluses or deficits as these can attract critical but often flawed headlines over whether their assets are being managed in the charity's best interests.

Funds may be received at the end of a financial year, but cannot be spent in that year, leading to a surplus in one year and a deficit in the next. In

contrast, accounting rules mean that, in certain circumstances, grant-making charities must recognise a multi-year grant in full as expenditure when the award is confirmed, but the cash payments will occur across several years. This creates a mismatch between expenditure and cash outflows in the charity's books and reduces the charity's reserves level faster than cash holdings.

In most cases, it is good practice for a charity to have a reasonable amount of funds in reserve to protect it in the event of unfavourable or unexpected circumstances. Significant cash holdings or an annual surplus or deficit should not be considered in isolation.

Recommendations:

Charities should ensure their reserves policy is easy to understand and linked to their strategic plan and risk management strategy. Once the trustees have determined the appropriate level of reserves for the charity and a reserves policy is established, it must be effectively communicated internally and externally. This will help employees, donors and other stakeholders better understand the charity's current financial position, financial strategy and future fundraising needs. Ultimately, it is for the charity to determine its target level of reserves and cash holdings and to justify its decision.

3 Charities spend too much on high paid executives

Despite the majority of charity executives earning modest salaries, reported cases of excessive charity CEO salaries have created the narrative that charity executives are overpaid and that this diverts funds from the causes charities set out to help.

What is often overlooked when CEO salaries come under scrutiny is how broad and demanding their roles can be. Some charities are as complex, if not more so, as corporate organisations.

CEOs provide leadership by working with the board to develop and implement the charity's strategy and play a critical role in engaging staff, volunteers and prospective donors. They have delegated responsibility for the organisation's administration and finances, which can include managing complex trading activities, contracts and grants. As the charity's public face, CEOs may also promote the charity's interests by advocating change and building relationships with stakeholders in politics and the media.

They do this while operating in a highly regulated environment where they must meet the requirements of the Charity Commission, the Fundraising Regulator, HMRC, the Information Commissioner's Office, and other regulators such as the Care Quality Commission in the health service, or Ofsted in the education sector.

Recommendations:

Charities can ensure that executive pay is proportionate by benchmarking remuneration against similar roles in organisations that are comparable in size, sector and location.

Disclosures relating to remuneration and other benefits including expenses paid to trustees and the senior management team are required by charity accounting and reporting rules. Charities should therefore aim to explain their remuneration policies and senior management pay in the context of the executives' responsibilities to maintain public confidence in their work.

4 Charities should not undertake commercial activities

Charities can provide services or sell goods for a fee, which is classified as trading. This is an important source of fundraising for many charities and, without it, less money would be available to support their causes.

Charities can carry out primary purpose trading without incurring income or corporation tax, but need to be aware of the tax implications if they undertake commercial activities outside their objects to generate profits. Many charities set up trading subsidiaries to improve their returns from commercial activities and optimise their tax position. HMRC and the Charity Commission offer guidance to charities deciding whether to set up a subsidiary trading company and how to finance it. Trustees should consider the financial and reputational risks that any investment in trading subsidiaries could expose them to, and should remember that good governance should also extend to the subsidiary.

Recommendations:

Charities often introduce commercial activities to diversify their income streams and avoid becoming too reliant on grants and donations.

When charities decide to trade, trustees and management should consider whether a trading subsidiary is required and how they will use it.

5 Charities should be run and staffed cost free by volunteers

Millions of people regularly volunteer through a group, club or organisation and carry out fantastic work, helping charities across the UK, but employees are still needed for core areas.

While volunteers are the backbone of some charities, even these charities are not able to operate without full-time staff who provide the core services and activities required to operate larger charities.

These core areas may include the delivery of some services that require highly qualified individuals such as doctors, nurses or teachers; or areas and activities that need experienced professionals in support functions such as finance, IT and human resources.

While some of these functions could be dealt with by volunteers (including trustees), the reality is that charities – particularly larger charities delivering complex services – are best served with both employees and volunteers working together.

Recommendations:

Charities should have a clear strategy where resources should be spent – how many staff to employ, the number of volunteers that will need to be recruited and trained, or a combination of both. They should also explain these decisions so they are understood by a range of audiences including donors, the media and the public.

6 Charities spend too much money on overheads

It is a myth that most charitable donations go on administration costs. According to the UK Civil Society Almanac 2022, 86% of the sector's expenditure related to activities directly linked to a charity's purpose.

Although Charity Commission research shows that donors want most of their hard-earned money to be spent on frontline activities, most people understand that a moderate amount needs to be spent on a charity's running costs.

Charities incur compliance and other operational costs to uphold the rules and requirements from regulators and to comply with policies, for example

on internal controls, risk management and IT security. A charity that trains its staff and volunteers and monitors and evaluates its operations is likely to be more effective than a charity that does not. In some areas, training, supervision and checks will be essential, for example where the work involves safeguarding children or adults at risk from harm, or to comply with data protection rules.

The question trustees need to ask is whether their charity is making sufficient investment in important infrastructure, which includes legal and regulatory compliance, management skills and technology. It is important to understand that the composition of a charity's cost base is not an indicator of its effectiveness.

Recommendations:

Charities should understand their administration and other related costs and explain how such investment will increase efficiency and improve impact, transparency, governance and leadership.

Charities that know their actual overhead percentage can negotiate more effectively with funders, communicate the true cost of their work and prepare funding bids using full cost recovery principles.

7 Charities don't have to pay taxes and so need less money

Charities are not automatically exempt from tax. Confusion arises because registered charities qualify for some tax exemptions, which leads to a mistaken belief that charities do not pay tax.

Charities are exempt from income or corporation tax on most types of income as long as they use the money for charitable purposes. In addition, charities can claim tax reliefs on business rates, legacies and eligible donations.

However, charities are subject to payroll taxes and the VAT regime (with certain charity exemptions) and they pay business rates, albeit at reduced rates depending on the property's usage.

Analysis from the [Charity Tax Group](#) shows that overall, tax contributions from charities outweigh the tax reliefs they claim.

Recommendations:

Charities should explain their tax contributions and the relevant tax reliefs and exemptions they have been granted to dispel the myth that they are not paying taxes.

They should also review their tax strategy to ensure they are claiming relevant tax reliefs and exemptions so they can maximise the funds available for their work. This is a complex area and charities may need to seek professional tax advice to optimise their tax affairs.

8 You need professional qualifications to become a charity trustee

A charity trustee does not need a professional qualification. What is important is a commitment to the role, an understanding of the role and responsibilities, and the skills to understand, scrutinise and constructively challenge the information they are being presented with.

Boards should do more to encourage diversity. In this context, diversity is more than a focus on issues such as ethnicity and gender but also covers diversity of thought, age, experience and backgrounds.

The December 2020 update to the [Charity Governance Code](#) expanded its principle on diversity to also include equality and inclusion. It explains why equality, diversity and inclusion are important and provides helpful recommended practice for larger and smaller charities. An inclusive culture is one in which everyone feels their contribution matters, and so may be more likely to challenge decision-making and participate in board discussions.

Recommendations:

Charities must have strong procedures to recruit, induct and train trustees. The Charity Governance Code recommends that boards start by assessing their understanding of the charity's approach to equality, diversity and inclusion (EDI).

While professional skills remain important to boards, many charities have started to commit more time and effort into diversifying their boards in other ways, for example by inviting service users and people with relevant lived experience to become trustees.

9 Charities are less vulnerable to fraud than other organisations

Charities are as susceptible to different types of financial crimes and fraud, including cyber and insider fraud, as any other organisation.

The [National Cyber Security Centre](#) reported in January 2023 that charities may be particularly vulnerable to cyber attacks because they often lack resources to invest in cyber security and are less likely than businesses to employ technical cyber security controls. Trustees need to recognise their charities can be vulnerable to different types of fraud and develop an effective culture of prevention. Every dimension of fighting fraud – deterrence, detection and response – requires an effective anti-fraud culture at its foundation.

Actions to tackle fraud are important as trustees must take steps to protect their charity's funds and assets from misuse, and to comply with UK law on the prevention of fraud, money laundering and financial crime.

Recommendations:

Trustees should ensure that proper internal financial and data controls are in place and that both their design and operation are regularly reviewed, and new controls implemented where necessary. The overall control environment must be fit for purpose.

Regular training should be provided to both staff and volunteers to ensure that they are familiar with the key controls, their responsibilities in applying those controls, and that they know what steps to take if they suspect fraud is being committed.

Recommendations:

Charities that work with political parties or candidates need to ensure that party-political messages are not promoted at their events or premises. Charities should be aware that they are more likely to be seen as independent if their political engagement involves all major political parties.

If you are an ICAEW member and want to read the full article then it can be [found here](#).

10 Charities should not engage in campaigning and political activity

From anti-slavery movements, to changes in electoral law and the living wage campaign, the voluntary sector has often played an important role in highlighting the need for changes to laws and policies for the benefit of disadvantaged people.

Charities have a long and proud history of campaigning and political activity. The issues tackled by charities, such as poverty, often require legal or structural changes that can best be influenced by campaigning activities. Although charities can't have a political purpose, they can campaign to achieve their charitable objects.

However, there are boundaries that charities, their staff and volunteers need to be aware of to remain within the law.

When trustees are familiar with the regulatory guidance, they can come to informed and responsible board decisions on campaigning which they can justify.



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Do you have any volunteering opportunities?



If your organisation has any ad hoc volunteering opportunities where you could use some extra resource for anything from a couple of hours to a full day, then we would like to hear from you!

In addition to the fundraising we undertake for our chosen Charity of the Year, we are looking to support other charities in the sector and recognise that this support does not always need to be financial. Our colleagues at UNW are entitled to two half days of volunteering time per financial year and we are keen to provide them with opportunities.

Please contact Jacalyn Rivett at jacalynrivett@unw.co.uk in the first instance to explore. Whilst we may not be able to fulfil all requests, we will publish a list of current requests to our colleagues on a regular basis.

In conversation with...

Mark Thompson

Chair of Bright Red and Managing Partner at Ryder

Based in the Northern Centre for Cancer Care at the Freeman Hospital, Bright Red aims to improve the lives and treatment of people with blood cancer across the north of England. Through care, research and education, the charity strives to beat illnesses such as leukaemia, lymphoma, myeloma myelodysplasia and myeloproliferative diseases.

Originally known as Marrow and Stem Cell Transplant 2000, Bright Red has supported haematology treatment and research within the north of England since 1988. Its investment of over £6 million into haematology has seen diagnosis, treatment and research within the region go from strength to strength. The region now has the second largest bone marrow transplant centre within the UK, treating an increasing number of patients from outside the area.

Could you tell us a little bit about your background?

In my day to day job, I'm the Managing Partner at Ryder, an architectural firm with its home in Newcastle but now with a national and international footprint, including offices in Amsterdam, Vancouver and Hong Kong. I joined Ryder in 1988 (which was the year, incidentally, when Bright Red was formed), becoming Director in 1994. I have overall responsibility for the strategic development of the firm. We have grown rather rapidly recently, and some of our notable local work includes the design of The Lumen at Newcastle Helix, the redevelopment of Pilgrim Street, Lilidorei at Alnwick Garden, offices at Sunderland Riverside, new facilities for Durham University and the transformation of Newcastle's Central Station.

As well as being Chair of Bright Red, I'm also the Vice Chair of NewcastleGateshead Initiative, a board member of North East England LEP, and a member of the CBI North East Regional Council.

How did you come to be involved in the Charity sector and could you give us some background on your involvement with Bright Red?

Back in 1988, my then fiancée, now wife Dawn was diagnosed with Hodgkin's lymphoma. During one of her appointments at the Royal Victoria Infirmary, I was sat in a waiting room and got talking with George Walker, a patient who told me about a charity he was establishing - Marrow and Stem Cell Transplant 2000 - and asked if I would be willing to take part in the Great North Run to raise funds. Having done that for several years, I then became involved in other fundraising initiatives, such as Last Night at the Proms at Newcastle's City Hall, which Ryder went on to sponsor.

In 2006, I was asked to become a trustee. I accepted, and not long after that, the Chair told me he was going to retire and asked if I wanted to take on the role. At the time, the Charity was solely focused on research. I felt that they needed to invest funds into other areas, such as patient care and supporting nurses with their continuing education, so we enrolled some doctors and nurses from the ward and developed a 'business plan'. Some of them became trustees and with the generous support of Gardiner Richardson we began with a rebrand (the original name didn't exactly slip off the tongue!) to position Bright Red with more of a patient/people focus, whilst continuing the great work being done in research.

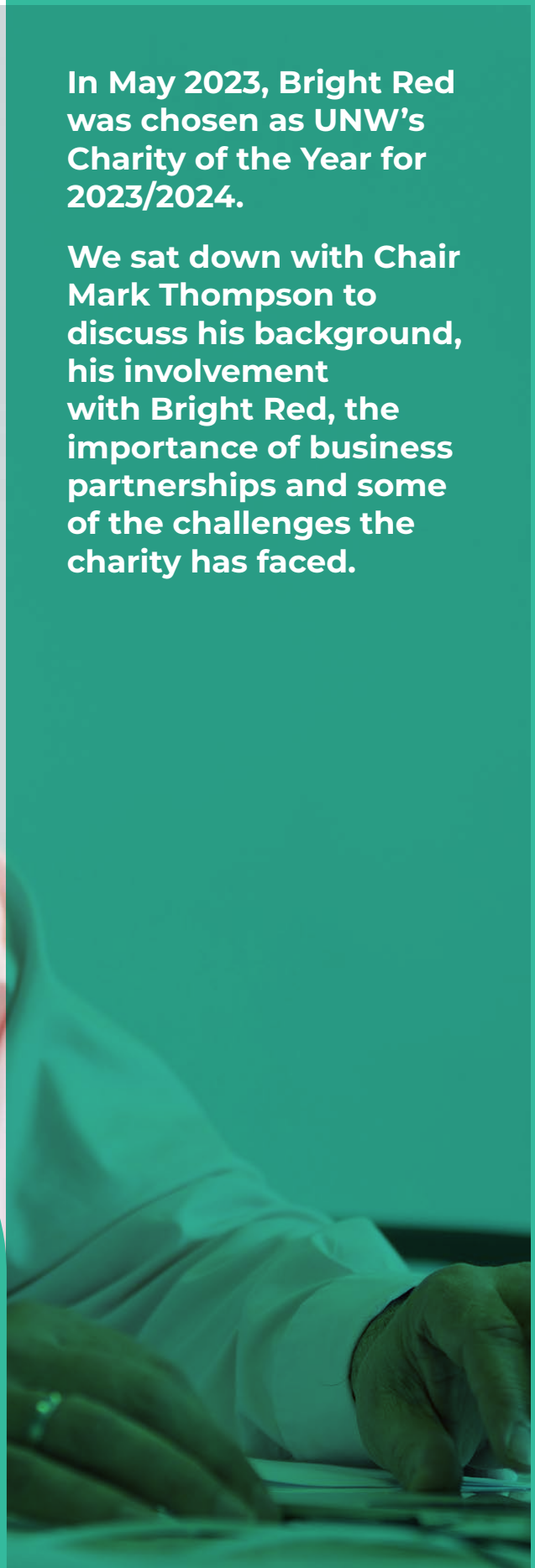


In May 2023, Bright Red was chosen as UNW's Charity of the Year for 2023/2024.

We sat down with Chair Mark Thompson to discuss his background, his involvement with Bright Red, the importance of business partnerships and some of the challenges the charity has faced.

“

Passionate people have a huge amount to offer, whatever their background.





Having a firm like UNW support Bright Red is a massive endorsement.

Could you comment on some of the challenges the charity has faced in your time as Chair?

In the beginning, it was a very Newcastle Hospitals focused charity, so it was quite a challenge to grow Bright Red across the wider region.

We needed more time invested if it was to fulfil our ambitions for it to become a recognised and respected local charity. And even though I had been enlisting those close to me for admin support (notably my colleague Karen and my children Hannah and Chris), it was a significant milestone when we recruited our first full time colleague – Ashley Elliott. We now have a team of one and a half full time people. I'm not as hands on now as Lisa Saxton does a fantastic job of running Bright Red day to day, supported by Angela Angus.

As you can probably appreciate, leading a business is very different to chairing a charity. As you aren't as knowledgeable about the operations and activities, you rely on others and you need to turn the volume down and listen more (mind, I'm sure there are people at Ryder who would say I should do that there too!). But, like any organisation, you need to attract the right people – colleagues, ambassadors and trustees. In the case of Bright Red, we also need input from nurses, doctors and researchers. All I feel that I've done is facilitated it; and yes, maybe I've

kept it together for a number of years, but I'm a big believer in collaboration. I know that with what we've done at Bright Red, and elsewhere in my career, the successes have been a result of collaboration. When we work together towards a shared goal, the results are often fantastic and way beyond what people working in isolation could achieve.

Could you comment on the importance and impact of business partnerships like this one with UNW?

It's partnerships like this that show us as a well-respected and worthwhile local charity. It essentially puts us on a pedestal because it gives us the credibility that UNW's team chose us. It means a huge amount in terms of our profile locally. And at a practical level, I hope we've gained a treasurer in UNW's Beth Sheldon!

You mentioned the challenges of attracting new trustees. Could you expand on that at all?

Firstly, too many people think that they aren't good enough to be a trustee; because they aren't from a professional background – business, finance, law, marketing – that they have little to offer. That's a sad perception because it's passion for the charity that is the main ingredient. Another problem is that there seems to be a misconception among young people

that you need to have more experience to become a trustee. The energy of youth brings different views and ideas to the table. I'd take energy before experience any day of the week.

On the whole, we need to be encouraging more people to become charity trustees. It's a great learning and development experience, whatever your stage of life. If you're gaining experience and building your skills at the same time as doing others good, then that's a win win scenario.

And finally, what do you see as the charity's biggest achievements?

Fundamentally, I'm proud that we are still here, especially after Covid. But looking back, I'd say it was patient involvement and the amazing influence of patients' families that has been key to our success. It's been working really closely with the Bright Red community that has helped us punch above our weight. This support evolved into our ambassador programme, and ultimately into incredible initiatives like the Lee Robson Patient Care Grant, a relief grant given to patients that are struggling financially in their hour of need due to lack of sick pay or how long their welfare takes to come through following diagnosis.

Alongside research, our largest grants fund our Bright Red Nurses. I'm especially proud that we have created six Bright Red nursing posts in local communities across the region. From my wife's experience, I appreciate what it's like when you're going through chemotherapy and have to get yourself ready and possibly onto public transport to



attend an appointment for treatment. We only lived a few miles away but it's not uncommon for people having to make round trips of 60 to 80 miles! I think it must be pretty unique for a charity like Bright Red to be able to bring nurses into patient's homes. Obviously larger charities like Macmillan do it, but for a small charity it's a significant amount of money to raise and in my eyes, a huge achievement.

We've also funded ward improvements, especially for those patients spending extended periods in isolation during treatment, and complimentary therapies. We try to make stays in hospitals as comfortable as possible. And in the end, I'm proud to say that every penny we raise goes to benefit patients and their families across the region, whether through research or patient care.



(L-R) Beth Sheldon (UNW), Anne Hallowell (UNW), Angela Angus (Bright Red), Lisa Saxton (Bright Red), Jacalyn Rivett (UNW), Richard Turnbull (UNW)

Charitable Giving becomes more Tax Effective for Donors

UNW tax partner Charles Linaker considers the current tax relief position for corporate and individual donations made under Gift Aid.

Much has been written in recent months of the impact on companies of increasing corporation tax rates and on the repercussions of freezing or reducing income tax thresholds for individuals. The Institute of Fiscal Studies has calculated that one in five taxpayers will be paying higher rate tax by 2027/28 (the final year of the freeze).

But one unremarked (and no doubt unintended) consequence of increasing tax rates in the current tax year 2023/24 for companies and of freezing or reducing income tax thresholds for individuals until 2027/28 is that for many more donors gifting to charities will have become more tax efficient - always assuming that they can afford to make the donations in the first place.

Companies

With effect from 1 April 2023 the main rate for corporation tax payable on profits above £250,000 was increased from 19% to 25%, with an effective marginal rate of 26.5% applying to profits above £50,000 but below £250,000. (The old 19% rate now applies only where profits are below £50,000.)

This means that a donation of, say, £5,000 made to a charity by a company paying corporation tax at the rate of 25% will now have a 'net of tax' cost of £3,750 (and a 'net of tax' cost of £3,675 if the marginal rate of 26.5% applies), compared to a 'net of tax' cost of £4,050 when the main rate was still 19% before 31 March 2023.

It needs to be borne in mind that, to obtain tax relief for a specific accounting period, the donation must have been physically paid before the accounting date. A year-end provision for a donation in the accounts is not sufficient to secure relief for that period.

The only exception to obtaining relief on a payment made after the accounting date is where the company is a wholly owned subsidiary of a charity, when there is a 9 month window from the accounting date during which a donation to the parent charity can be calculated and paid up. Again, a physical payment must be made.

Individuals

It is well known that individuals who are subject to income tax above the basic rate of 20% can claim higher rate tax relief on charitable donations.

For example, a taxpayer subject to the higher rate of 40% making charitable donations of, say, £800 over the course of the tax year will be able to claim higher rate tax relief of £200.

The charity (or charities) will have claimed back basic rate tax of £200 from HMRC on the £800 donated, making a total to the charity of £1,000, and the donor will be able to claim personally from HMRC 40% less 20% of that £1,000, i.e. £200, so that the 'net of tax' cost to him/her of a gross £1,000 donation becomes only £600.

In the case of a taxpayer subject to the highest (or additional) rate of 45% making the same level of donations (i.e. £800 plus basic rate tax of £200), the claim to relief will be 45% less 20% of that £1,000, i.e. £250, so that the 'net of tax' cost to him/her becomes only £550.

Because, with effect from 6 April 2023, the threshold above which an individual's total income is chargeable at the additional rate of 45% was reduced from £150,000 to £125,140, many more taxpayers will find themselves in this category in the current tax year and tax years to come.

But, bizarrely, given the absurd complexity of the personal tax system, it is in fact those 40% taxpayers whose total income falls between £100,000 and £125,140 who will find that their 'net of tax' cost to making charitable donations is the lowest.

This is because, for every £2 of income exceeding the £100,000 threshold, £1 of the Personal Allowance £12,570 is clawed back, meaning that income falling between the bands of £100,001 and £125,140 is taxed effectively at a rate of 60%.

So, a charitable donation of £800 by a taxpayer, whose income falls within this bracket, will find that the 'net of tax' cost to him/her of the favoured charity (or charities) receiving the grossed-up donation of £1,000 (with £200 basic rate tax coming from HMRC) is in fact only £400!

Charities looking to maintain, if not increase, their donations from companies and from high net worth individuals should keep the tax position of their donors in mind.



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The future operation of Gift Aid

HMRC is reviewing the current processes used by charities for claiming Gift Aid. This review will include considering the viability and desirability of new systems, improved use of digital technology and online services to help donors better understand the rules and simplifying the process of claiming Gift Aid.

HMRC would like to speak to a range of charities using the Gift Aid service, including:

- small, medium sized and large charities;
- charities that claim Gift Aid using the full range of available options, including the charities portal, agents, paper forms, and via agent intermediaries such as Just Giving;
- charities that claim both Gift Aid and through the Gift Aid Small Donation Scheme;
- charities whose Gift Aid claims are submitted by both employees and volunteers; and
- charities that do not claim Gift Aid.

Anyone interested in taking part, or who has any questions about the research, should email:

niamh.cliffordcollard@hmrc.gov.uk



Tax reliefs restricted to UK charities

The Finance (No 2) Act 2023 received Royal Assent on 11 July 2023 and one of its measures confirmed that, with effect from 15 March 2023 (Budget Day), tax reliefs and exemptions for charities are to be restricted to UK charities only. Any non-UK charities that were registered with HMRC on 15 March 2023 will continue to be able to claim these until 5 April 2024.

Charities Act Update

The new Charities Act became law in February 2022, introducing a wide range of technical changes to charity law which will impact many charities.

The changes are being implemented over an 18-month period, with the first taking effect back in October 2022 and the second phase from 14th June 2023. The final phase is expected to take effect from Autumn 2023. Below, we set out the changes, with links, to relevant Charity Commission guidance.

Changes that came into force on 14 June 2023

Selling, leasing or otherwise disposing of charity land

Charities must comply with certain legal requirements before they dispose of charity land. Disposal can include selling, transferring or leasing charity land. The Act simplifies some of these legal requirements. The changes include:

- widening the category of designated advisers who can provide charities with advice on certain disposals
- confirming that a trustee, officer or employee can provide advice on a disposal if they meet the relevant requirements
- giving trustees discretion to decide how to advertise a proposed disposal of charity land
- removing the requirement for charities to get Commission authority to grant a residential lease to a charity employee for a short periodic or fixed term tenancy

The following provisions are expected to come into force by the end of 2023:

- the provisions relating to disposals by liquidators, provisional liquidators, receivers, mortgagees or administrators
- the provisions relating to the taking out of mortgages by liquidators, provisional liquidators, receivers, mortgagees or administrators

- changes about what must be included in statements and certificates for both disposals and mortgages

Further Charity Commission guidance can be [viewed here](#).

Using permanent endowment

Put simply, permanent endowment is property that your charity must keep rather than spend.

The Act introduces new statutory powers to enable:

- charities to spend, in certain circumstances, from a 'smaller value' permanent endowment fund of £25,000 or less without Commission authority
- certain charities to borrow up to 25% of the value of their permanent endowment fund without Commission authority

Charities that cannot use the statutory powers will require Charity Commission authority.

A new statutory power enables charities that have opted into a total return approach to investment to use permanent endowment to make social investments with a negative or uncertain financial return, provided any losses are offset by other gains.

Further Charity Commission guidance can be [viewed here](#) and [here](#).

Charity names

The Commission can currently direct a charity to change its name if it is too similar to another charity's name or is offensive or misleading.

The Act enables the Commission to:

- direct a charity to stop using a working name if it is too similar to another charity's name or is offensive or misleading. A working name is any name used to identify a charity and under which the activities of the charity are carried out. For example, 'Comic Relief' is the working name of the charity 'Charity Projects'
- delay registration of a charity with an unsuitable name or delay entry of a new unsuitable name onto the Register of Charities
- use its powers in relation to exempt charities in consultation with the principal regulator

Further Charity Commission guidance can be [viewed here](#).

Other provisions

The definition of a connected person has been updated to remove outdated language.



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Changes that came into force on 31 October 2022

Paying trustees for providing services or goods to the charity

Charities now have a statutory power to pay trustees for providing goods alone to the charity in certain circumstances. Using the new statutory power, trustees can be paid for:

- services only, for example estate agency or computer consultancy
- services and associated goods, for example plumbing or painting service and any associated materials such as plumbing parts or paint
- goods only, for example supplying stationery to the charity

Further Charity Commission guidance can be [viewed here](#) and [here](#).

Fundraising appeals that do not raise enough or raise too much

There are now simpler requirements for trustees to follow if an appeal does not raise the amount needed to deliver its aim, raises too much or circumstances change and the donations cannot be used as intended. Previously, such restricted funds may have had to be returned to donors or held indefinitely until the restriction could be unpicked.

Further Charity Commission guidance can be [viewed here](#).

Changes expected later in 2023

Charity constitutions

The rules which apply to incorporated and unincorporated charities when it comes to amending their governing documents will be revised. Whilst some changes are expected to be easier, others which were previously not regulated changes may now require the consent of the Charity Commission.

Register of mergers

New provisions will ensure that a merged charity (or unincorporated charity in the case of an incorporation) that is placed on the register is treated as continuing to exist for legacy purposes, which will allow legacies to flow through into the new or merged organisation more easily.

An overview of the full changes can be found on the [government website](#).

If you are unsure of how the changes will impact you, we would always recommend seeking legal advice.



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