Summer 2025

Charity Bulletin

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

SORP Consultation

A summary of some of the most significant proposed amendments.

Introducing... Caroline Jackson

UNW's recent tax recruit tells us about her background advising charity clients, and how she's settling into life at UNW.

Charity Tax Updates

A few reminders and a round up of tax news from recent months.

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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Contents

Welcome to our Summer 2025 bulletin.

As the summer holidays approach, we thought we would highlight a couple of recent publications to be aware of and look forward to changes coming down the line in the Autumn.

The long awaited new Charity SORP exposure draft, incorporating the changes within FRS102 issued last year, was published in March, and so we gathered a few people together in May to discuss some of the changes and used that to feed into a response to the consultation. The final version is expected in the Autumn, but I have summarised the likely changes and signposted you to further reading where you think you may be impacted. Do please get in touch if you have any questions.

In addition, since our last bulletin, the Charity Investment Governance Principles have been published, so we asked Jeffrey Ball from RBC Brewin Dolphin for a summary.

I would also like to introduce **Caroline Jackson**, who joined our tax team earlier this year. Caroline brings with her a wealth of experience in charity tax and has put together a few tax-related reminders for you.

Finally, in terms of future events, we will be highlighting sustainability in our next briefing just after the summer break – which is topical given the forthcoming proposals in the reporting space so read on to find out more...

Enjoy your summer break and I hope to see many of you at the next event in September.

Anne Hallowell
Charity and Not-for-Profit Partner at UNW

SORP Consultation

In March, the SORP making body issued the next Charity SORP for consultation, which ran to 20th of June. The final SORP is expected to be published in the Autumn and will take effect for accounting periods beginning on or after the 1st of January 2026, which means the first year end to apply it (assuming a full year accounting period) will be the 31st of December 2026.

The changes to the SORP are the result of 2 main drivers – the first being the update to FRS102 which was published in 2024. As the SORP must follow the underlying accounting of FRS102, the changes coming in from this are not up for consultation and the questions are merely asking if there is sufficient guidance and clarity in the exposure draft to help charities apply the new rules. The 2 main areas of accounting change are:

1. The application of the 5-step model for income recognition on exchange transactions; and
2. Changes to lease accounting to bring all leases onto the balance sheet (with some exemptions).

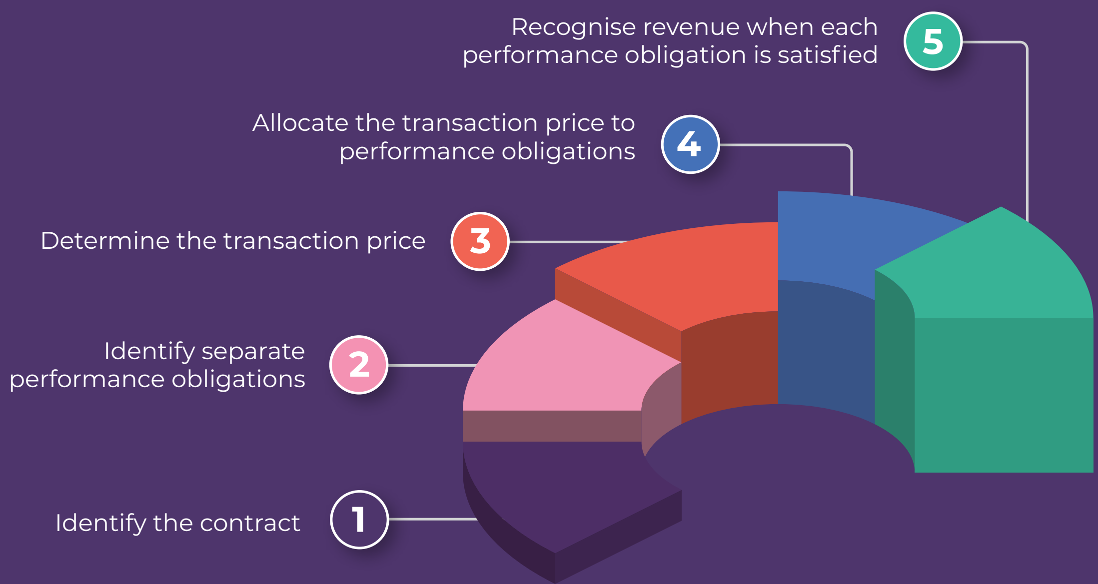
We will come back to each of those in turn later. The second driver was a widespread consultation across the sector that took place through 2023 and 2024 looking at areas where the SORP could be clearer, or where there was not consistent practice in the sector and there was an appetite to tweak the requirements to ensure greater consistency or improved disclosure.

As this is just a bulletin, I am not going to run through all the changes here. We will run a full briefing in the Autumn once the amended SORP is published in its final form. However, I thought it was worth highlighting the most significant proposed amendments here, and signposting you to where you can find out more if you think it is particularly relevant to you.

Income recognition

The 5-step model for income recognition only applies to exchange transactions – i.e. where you are providing a good or service for an agreed consideration – such as the sale of an item in a charity shop, or the provision of a service under contract. All other non-exchange transactions (the receipt of a grant, donations, fundraising income) are accounted for as previously and the SORP has been drafted to split income into 2 sections on that basis.

This is a summary of the 5-step model (that some of you may have seen before):



I think most contracts will be relatively straightforward but, in some instances, if a contract covers several services at one lump sum price, some thought will be needed on how to attribute the consideration over the life of the contract and the goods or services you are providing.

Further guidance has been included on legacy recognition, which proved to be a tricky area under the previous SORP, so if you deal with a lot of legacy income do have a read.

There has been no substantive change to the actual recognition point of legacy income.

Changes to lease accounting

Under the revised standard, all leases should be recognised on the balance sheet as an asset, with a corresponding liability for the future commitment. If you have significant leases, e.g. for use of a building, then please bear in mind that bringing these onto the balance sheet will impact your gross assets, which could then impact the audit threshold. As a result, there will be some charities that require an audit that have previously been exempt. The charity audit threshold in England and Wales is currently gross income of over £1million, or gross assets of over £3.26million, although there is a separate consultation on-going that may change this.

As for income, I am not going to go into all the details of what is a lease and how to calculate the various elements here but will just flag the exemptions which are:

- Leases with less than 12 months to run.
- Low value leases (e.g. photocopiers etc). Property, vehicles and other "big ticket" items do not qualify for this exemption.
- Peppercorn or nil value arrangements – as these do not meet the definition of a lease under FRS102.

If you have peppercorn leases then you will instead need to consider accounting for them as donated goods, facilities and services which might result in a donation of the service to the value being forgone by the lessor.

Other proposed changes within the SORP

There are various amendments to wording to improve clarification, and some additional disclosure requirements for certain charities but the main changes are:

1. The introduction of three size brackets, governed only by gross income.
   a. Tier 1 (income below £500,000).
   b. Tier 2 (income between £500,000 and £15 million).
   c. Tier 3 (income over £15 million).

The size criteria impact mainly the requirements within the Trustees Annual report, but for smaller charities it also highlights the options around expenditure classification and certain other disclosure exemptions.

2. Additional new requirements within the Trustees annual report around:
   a. Impact reporting for Tier 2 and 3 charities.
   b. Sustainability reporting required for Tier 3 charities but encouraged for all sizes.
   c. Greater transparency over treatment and impact of legacies.
   d. More guidance on explaining the impact of volunteers.
3. The requirement to produce a cash flow statement is proposed for only Tier 3 charities.
4. There have been some updates to the sections on Heritage Assets, Social Investments and accounting for Total Return Investments, but no substantial change to the underlying accounting or disclosure requirements.

If any of these issues particularly affect your charity, then I would encourage you to follow up on some of the links below to understand the impact for you.

A summary of the key changes can be found here.

The full exposure draft can be found here: www.charitysorp.org

Appendix 4 of the Exposure draft of the SORP sets out some of the debate held by the SORP making body in getting to this point, which might also be worth a read here.

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Introducing Caroline Jackson

Caroline joined UNW in March 2025 as a Senior Tax Manager, having previously spent 28 years specialising in corporate tax across EY, HMRC, Deloitte and BDO. She has extensive experience in both tax compliance and advisory matters, including transactions, company reorganisations, and restructuring.

At UNW, Caroline leads the corporate tax service for our charity clients. She is a specialist in the direct tax issues facing the sector and has previously worked with some of the UK's largest charities.

We sat down with Caroline to hear about her background, how she first started working in the charity sector, and how she has settled into life at UNW.

To begin with, can you tell us a bit about your background and what led you to join UNW?

I trained as a Chartered Accountant with EY in London in the late 90s. I've always been a tax specialist and after my spell with EY I worked for HMRC for around 10 years, first as a Tax Inspector and latterly as a Technical Specialist. In 2015, we relocated from London to the North East and I joined the tax team at Deloitte in Newcastle. Whilst there, I worked on a wide range of clients from owner managed businesses and listed entities, to public sector organisations, charities and housing associations. In 2022, I had the opportunity to join BDO working remotely and specialising solely on the not-for-profit sector. I thoroughly enjoyed my role with BDO but having worked from home exclusively since the pandemic I was beginning to crave the rhythm and social interactions of working in an office, so when the opportunity arose to join UNW it was hard to say no!

When did you first start working with charities, and what sparked your interest in the sector?

I took on my first charity role in 2013 when I became the Treasurer for a national charity whose head office was close to where I was living in Hertfordshire. I was on a career break looking after my young children at the time, and I took the role as a means to keep my skills up to date. However, I very quickly caught the 'charity bug'. I was so impressed and inspired by how relatively small organisations can achieve so much with so little and by the passion and drive of my fellow trustees.

How long have you been advising charity clients?

I've been working with charities for over 12 years now both as an advisor and as a trustee. Through my previous roles in Deloitte and BDO, I've been fortunate to work with some of the largest charities in the UK.

What do you enjoy most about working with charities?

For me, it's always the people I meet. When trustees and staff have a real passion for their cause, it's always inspiring, and being able to play a small role in helping them deliver on the organisation's objectives is really fulfilling.

You joined UNW fairly recently – what was it that attracted you to the firm?

I was already aware of UNW's excellent credentials in the not-for-profit sector from a previous role as Chair of the Finance & Audit Committee at The Glasshouse (previously Sage Gateshead) as UNW were our auditors at the time. I was also attracted by the fact that UNW is an independent firm with a strong North East focus enabling us to be really agile in responding to the issues and trends across all sectors and specialisms.

How have your first few months been, and what are you most looking forward to in your role?

It's been very easy to get settled in, due in no small part to the incredibly friendly team here at UNW. I'm looking forward to continuing to get to know clients and to strengthen our offering in the charity sector.

What kind of support will you be providing to UNW's charity clients going forward?

I have responsibility for the tax compliance for all of our charity clients and will also be supporting them with ad hoc advisory issues including income stream reviews, mergers, due diligence, restructuring, and gift aid issues.

Outside of work, have you been (or are you) involved in the charity sector in any other way?

I left my first trustee role when we relocated to the North East. Since moving here, I continuously held trustee positions, latterly with The Glasshouse and Hexham Abbey, up until last year when I stepped down to manage increased domestic responsibilities. I'm very much looking forward to being back on the trustee circuit in a few years' time!

> **I've been working with charities for over 12 years now both as an advisor and as a trustee.**

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New Charity Investment Governance Principles give greater clarity to trustees

In a first for the charity sector, Charity Finance Group (CFG) has developed Charity Investment Governance Principles (CIGPs), a set of guidelines designed to give charities more confidence when making investment decisions. The principles come hot on the heels of the 2023 update to the Charity Commission's guidelines on investing charity money (CC14) and complement the existing Charity Governance Code.

In this guest article, Jeffrey Ball, Director at RBC Brewin Dolphin, provides a summary of the new principles.

Jeffrey joined RBC Brewin Dolphin in 2010 as a graduate trainee and is now an Investment Manager in their Newcastle office. He is part of the North East Charities team, managing investment portfolios for charities of all sizes across the region. Aside from investment management, a large part of his role is networking to find new charity clients.

He is also co-founder of the North East Charity Awards and a trustee for UNW client the Newcastle Rugby Foundation.

Jeffrey Ball
Director, Wealth Manager,
RBC Brewin Dolphin

Key principles

A steering group consulted with over 100 charities and several advisers, with the Charity Commission acting as an independent adviser. As a result, the following seven principles were created to promote excellence in financial decision-making by charity leaders:

1. Purpose of investments

It is essential that trustees have a shared understanding of why they are investing, and that it is a way to further the charity's purpose.

CC14 reminds charities, even small ones, to consider their investment strategy, which includes cash in the bank. Charities can create a sustainable financial platform by making reserves work harder, generating a better financial return and increasing impact for beneficiaries. It's therefore essential that any legal responsibilities, investment requirements or restrictions, and crucially, the charity's time horizon, are understood and recorded.

2. Leadership

Even for charities with large executive teams, it is the trustees who have ultimate and collective responsibility for the charity's investments.

Trustees typically form an investment committee or have finance staff working with an external manager, with at least two experienced trustees providing oversight.

Decisions are guided by clear terms of reference and are reviewed by the full board.

3. Integrity

Charities are ultimately for public benefit; therefore, it is essential that the charity's purposes are at the forefront of any investment decisions.

Trustees must remember that personal opinions or interests must not influence or conflict with any decisions relating to the charity's investments. Trustees must document conflicts of interest and risks to avoid reputational harm and prevent private benefit.

When investing, charities must balance potential benefits against risks, prioritising the charity's best interests and aligning investments with its purposes. This ensures responsible decision-making and compliance with the CC14 guidelines.

4. Decision-making, risk and control

Through effective leadership, with integrity, it means effective systems can be established to ensure good decisions are made.

Charity trustees must understand their risk appetite, seek expert advice where needed, and monitor investments regularly to ensure they align with the charity's goals.

Trustees should have a valid reason for not seeking advice, such as sufficient in-house expertise or low-value investments. An investment manager will primarily be responsible for monitoring and reviewing investments to ensure they align with the charity's goals.

5.Effectiveness

It is key that the board has confidence in the delegated oversight and the underlying processes are effective.

Charity trustees often lack investment expertise or experience, so it's crucial they're confident that those responsible for investment decisions have the right skills and knowledge.

The level of this oversight should match the size and complexity of the investments, giving trustees the confidence to ask questions and challenge decisions. Investments should be given dedicated time for discussion at trustee meetings.

6. Equity, diversity and inclusion

The board ensures that all those involved in the charity's investments are committed to understanding and actioning equity, diversity and inclusion.

Including diverse perspectives and viewpoints in investment decisions can lead to better outcomes, while a lack of diversity can result in groupthink and weaker decision-making.

Meetings encourage broad discussion with equity, diversity and inclusion built into topics of

> **Building trust through openness and accountability helps all charities deliver their public benefit.**

discussion when talking about investments. This can consist of areas such as responsible investment, social investment, addressing the climate crisis, or the origin of the charity's assets.

7. Openness and accountability

Charities should clearly disclose their investment policies in annual reports or websites, and the board should consider how these decisions might affect their reputation among stakeholders and the public.

The annual report should include how the investments have performed over the year and what is included in the investment policy. Typically, the charity's main investment adviser is named.

Alongside required accounting information, a charity should include why it invests, how it furthers its purposes, what its governance structure is and its mechanisms for addressing any conflicts or risks.

RBC Brewin Dolphin's work with charities

These principles provide a strong framework for investing, but it's essential to discuss them with an experienced investment manager who specialises in charitable investments and is aware of the CIGPs.

RBC Brewin Dolphin, as one of the UK's largest bespoke charity investment managers, has a team of over 50 charity specialists working with over 1,700 charity clients across the UK. Their expertise can help charities adopt these CIGPs.

If you're interested in learning more, please visit www.brewin.co.uk/charities or email: charities@brewin.co.uk.

The value of investments, and any income from them, can fall and you may get back less than you invested. This does not constitute tax or legal advice. Tax treatment depends on the individual circumstances of each client and may be subject to change in the future. You should always check the tax implications with an accountant or tax specialist. Information is provided only as an example and is not a recommendation to pursue a particular strategy.

Charity tax update

A few reminders and a round up of tax news from recent months.

Corporate tax (or income tax if you're a charitable trust) often falls to the bottom of the list of 'tax worries' for charities due to the exemptions that are available. For many charities, HMRC only request a tax return periodically (or perhaps not at all) which can easily lead to the conclusion that it's just not something charities have to think about.

Sadly, this is not the case. Charitable exemptions from corporate/income taxes only apply if certain conditions are met. Organizations should keep their activities under review to ensure the exemptions continue to apply regardless of whether or not HMRC request a tax return.

HMRC's focus has turned to the charity sector recently. In 2023, HMRC launched a consultation into Charities Tax Compliance. This looked at four areas where HMRC had concerns that either the tax system was being abused or where charities needed further support. HMRC's commentary on the outcome of the consultation was released in Autumn 2024 and draft legislation to enact the proposed changes, which are outlined below, is expected soon.

Charities Tax Compliance Consultation

Tainted Charitable Donations Rules

These rules deny tax relief for donors where a gift is made to a charity and there are arrangements in place for the donor, or someone connected to them to receive a financial advantage and the main motive for the donation was to secure that financial advantage.

The rules can be complex and to address concerns that some scenarios were slipping through the net, HMRC are proposing two main changes to the rules. First, the concept of 'financial advantage' becomes 'financial assistance'. Second, rather than considering a motive for the transaction, the test will consider the outcome. Clearly, this will give the rules a much wider scope.

The impact of these rules is felt mainly by the donor rather than the charity but charities should make sure they have robust governance and due diligence procedures, particularly in relation to large donations, to make sure they are not inadvertently caught by the rules which could have a negative effect on donor relationships.

Approved Charitable Investments

Where a charity makes an investment it should be an 'approved charitable investment'. Otherwise, HMRC will consider the advance of monies to be non-charitable expenditure and this can give rise to a tax charge for the charity.

The tax legislation specifies 11 types of investment that are automatically 'approved'. These include interests in land, listed securities and bank deposits. Where an investment is not one of the 11 types, the charity needs to be able to evidence the rationale for its investment decision being made for the benefit of the charity and not for the avoidance of tax in order for it to be approved (this is known as a Type 12 investment).

HMRC propose extending the benefit concept so that Types 1-11 also need to be for the benefit of the charity and not for the avoidance of tax. In many ways, the tax requirements mirror the legal governance requirements placed on trustees to act in the best interests of the charity.

Charities should have good governance procedures in place to ensure that they can evidence the scrutiny of and rationale for all investment decisions.

Non-charitable expenditure

Where a charity incurs non-charitable expenditure, an equivalent amount of income (that would otherwise have been exempt) is taxed. The current rules specify which types of income can be taxed under these rules.

To address HMRC's concern that there are some scenarios where it is not possible to fully implement the appropriate tax charge, they are proposing to include legacies within the list of income that can be brought within the charge to tax where non-charitable expenditure has been incurred.

Charity Filing Obligations

In the consultation, HMRC expressed concern that some charities persist in failing to send in a tax return when requested yet promptly file their gift aid claims.

When a charity registers for gift aid it must confirm to HMRC that the organization is run by fit and proper persons. HMRC propose amending the Fit and Proper Persons Test so that the Management Condition of the test is failed where there is a persistent failure to comply with the charity's tax obligations. Failure to meet this test could lead to the restriction of gift aid.

An annual conversation with your tax advisor to confirm whether HMRC have requested a return and to discuss whether you might need to voluntarily submit a return (e.g. if you have any non-exempt income in the year) will be a key step in staying ahead of your compliance obligations.

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Other tax news

Here's a quick round up of other tax news from the past few months:

- HMRC have updated their guidance to clarify that a self assessment (income tax) return for a Charitable Trust needs to be signed by a trustee. It's not uncommon for this responsibility to be delegated to a senior member of the finance team but going forward HMRC may reject a return if it has not been signed by a trustee.
- On 28 April, HM Treasury launched a new consultation on a proposed new VAT relief for businesses that donate goods to charities for use in their services or for onward donation. The current VAT relief only applies to donations of goods for onward sale and the government is seeking to align the treatment. The consultation closes in July and it will likely be some months after that before we hear the outcome and timetable for any new legislation. This won't impact charities directly but fundraising teams should be aware that it will reduce the cost for businesses who want to support your charity in this way.
- Double cab pick ups (DCPU) are no longer 'vans', they are 'cars' – at least when it comes to benefits in kind and capital allowances. The new HMRC guidance applies to new vehicles ordered from April 2025 and to vehicles acquired before April 2025 and still owned at April 2029. If you think you might be impacted by this speak to your advisor. For clarity, a DCPU is a vehicle which usually has two rows of seats for passengers in the front and a flat back (often uncovered) where goods and tools can be carried. Despite changes to the interpretation for the purposes of benefits in kind and capital allowances, there has been no change to VAT legislation and they continue to be regarded as a van providing they have a payload capacity of at least one tonne.
- Are you a charitable Community Benefit Society? The Law Commission launched a consultation at the end of 2024 to review the law that governs these types of bodies. The consultation included a proposal that charitable community benefit societies should no longer be exempt charities. This would mean that such organizations would need to register with the Charity Commission in order to protect their tax exemptions. The consultation has closed and the Law Commission is currently reviewing responses. Reach out to your legal advisor if you think you could be impacted.

HMRC clarifies VAT treatment of charity fundraising event income

HMRC has published new guidance confirming the VAT treatment of income received by charities from fundraising events. The update reaffirms that where events meet the conditions for exemption, all forms of income connected to the event – including sponsorship and donations – are VAT exempt.

The brief follows the Upper Tribunal decision in the Yorkshire Agricultural Society case, which clarified how the VAT exemption should be interpreted where fundraising events serve more than one purpose. HMRC now recognises that, provided fundraising remains one of the primary aims and the event is promoted as such, exemption can still apply – even if the event also supports other objectives.

Key points include:

- VAT exemption can apply to all income linked to a qualifying fundraising event – including ticket sales, sponsorship and donations.
- The event must be promoted as being for the benefit of the charity and primarily intended to raise funds.
- Charities must not run events of the same kind too frequently in the same location (typically no more than 15 times per financial year).
- Events run by connected organisations or trading subsidiaries may not qualify unless certain conditions are met.
- The update reflects the tribunal's view that fundraising does not need to be the sole purpose of an event – as long as it remains a primary one.

You can read the full guidance here.

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

Charity Briefing: Our sustainability journey (so far)

Date:	Thursday 25 September 2025
Timings:	9.30 am arrival/breakfast 10 am briefing begins 11/11.30 am briefing ends
Venue:	UNW, Citygate, St James' Boulevard, Newcastle upon Tyne, NE1 4JE

Join us to hear from Everyturn, a leading mental health charity based in the North East, as they share how a bullet point in a strategic plan – to reach net zero by 2030 – is being turned into meaningful action and organisational change.

Recognising that sustainability is not just a tick-box exercise but fundamental to their charitable purpose and the wellbeing of their beneficiaries, Everyturn has begun embedding the agenda across all areas of its operations – not simply treating it as a data collection or reporting requirement.

Whether you're partway through the journey (like them) or just starting out, their story will offer valuable food for thought for organisations of all sizes. They'll share practical tools and tips they've discovered or developed, along with the challenges, mistakes, and lessons learned along the way.

This will be an interactive session, with participants encouraged to share their own motivations for attending.

To register your place, please complete the form on our website here: unw.co.uk/events/charity-briefing-our-sustainability-journey-so-far, or email: events@unw.co.uk for further information.


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