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Ms Jane Ellison MP
Financial Secretary to the Treasury
1 Horseguards Road
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22nd July 2016

CHARITIES TAX POLICY

Dear Financial Secretary,

I am writing to congratulate you on your appointment as Financial Secretary to the Treasury in the new government.

Charity Finance Group is a charity that represents nearly 1,400 charities and seeks to support the charity sector to make the biggest impact from its money and resources. We have a long history of engaging with government on tax issues and we are active members of the Charity Tax Forum, operated by HMRC.

As Financial Secretary you will have responsibility for matters relating to charity taxation. A supportive tax environment is critical for the work of the charity sector, enabling us to focus as much of our resources as possible on achieving our charitable purposes.

This has taken on new significance in the light of Britain's decision to exit from the European Union.

One of the most critical issues facing the sector is the future of VAT. Charities benefit from a number of zero ratings and exemptions, which enable them to carry out their work without having to charge beneficiaries VAT. However, VAT rules have also created a significant amount of VAT which charities cannot recover. This irrecoverable VAT costs charities over £1bn a year, taking resources away from the frontline at a time when many charities are reporting increasing demand for their services.

The government has taken steps towards resolving this issue through a series of targeted rebates, but Britain's departure from the European Union is an opportunity to comprehensively deal with this matter. It is important that any deal the UK government makes with the European Union provides flexibility to resolve this tax anomaly which has a significant negative impact on charities. We would also welcome certainty that the government is taking the interests of charities into account when considering the future design of the tax system in the wake of Brexit.



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Charity Finance Group has been working with VAT professionals in the sector to develop proposals for how to resolve this issue and we would be keen to share these with you and your officials.

It is also important that we continue to improve uptake of Gift Aid. I hope that you will build on the work of your predecessors to make the Gift Aid Donor Benefits system simpler and radically reform the Gift Aid Small Donations Scheme to help small charities.

I believe that it is important in this post-Brexit environment that we seize the initiative and make positive changes to the tax environment for charities so that they can continue to do their work effectively.

I would welcome the opportunity to meet with you in person to discuss your priorities for the role and brief you on some of the concerns of our members and thoughts for how we can make the tax system for charities the best it can be possibly be.

I look forward to your response.

Kind regards,

Caron Bradshaw
Chief Executive
Charity Finance Group