



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

19 March 2014

Dear All

BUDGET 2014: CHARITIES

I am writing to let you know about the main measures in this year's Budget of interest to charities and the wider voluntary sector.

Charities make a hugely important contribution to our society and the government is proud to strongly support these activities, including through various tax reliefs. These reliefs were worth around £4.4 billion to charities and their donors in 2013/14, with Gift Aid alone contributing over a billion pounds to charities' incomes.

The UK is a hugely generous country with 76% of us donating to a charity in any given month, more than in any other developed country. This Government has supported charities with a wide range of measures including a reduced rate of inheritance tax for those who donate 10% of their estate to charity, the introduction of the Gift Aid Small Donations Scheme, increasing the maximum donor benefit threshold by five times to £2,500, making the Gift Aid process easier on charity shop donations and making it easier for charities to claim Gift Aid repayments from HM Revenue & Customs (HMRC) through the new Charities Online claiming system. Our new National Insurance Contributions (NICs) Employment Allowance, coming into effect this year, will give up to £2,000 of relief on NICs bills to around 35,000 eligible charities. We have also introduced the Cultural Gifts Scheme and made significant improvements to the Community Amateur Sports Club regime.

Gift Aid Digital

Despite the action already taken, our ambition for supporting charities goes further. At Autumn Statement we also restated our intention for as many eligible donations as possible to attract Gift Aid. To deliver this we will be introducing primary legislation that will allow non-charity intermediaries to play a bigger role in the operation of the Gift Aid declaration and so help drive a higher take-up of Gift Aid. This should be particularly beneficial in the growing area of digital donations. This follows very productive discussions I and my officials have had with many charities and representative bodies over the past months. I am very grateful for your contributions to

date, and look forward to your ongoing involvement in shaping the secondary legislation that will set out in detail how the new intermediary regime will operate. I hope you will agree that this is a very positive step towards a Gift Aid system that better reflects the reality of payments technology in the 21st century and helps enable a higher take-up of Gift Aid.

Small charities and Gift Aid

I am very conscious that, alongside the best known national and international charities, there are thousands more smaller charities having a big impact in their local community. Many of these smaller charities are run by volunteers and may not be currently aware of or be receiving the tax relief they are entitled to. Therefore this Government has announced a package of measures to help small charities make the most of the reliefs available to them. We will be creating an outreach team in HMRC to help more small charities to benefit from Gift Aid and the Gift Aid Small Donations Scheme, as well as raising awareness of the Employment Allowance.

When new charities are created some need to register with both the Charity Commission for England and Wales and HMRC to be entitled to claim charity tax reliefs. As previously announced, we will be joining up these processes by providing a common portal for charities to send their applications in at the same time, without needing to send in duplicate information. I am determined that this is designed with the needs of small charities in mind. Likewise with guidance on Gift Aid, during the move to .GOV.UK HMRC will be reviewing this guidance and re-writing where needed to ensure it meets the needs of users and is as simple and clear as we can make it.

We will also be looking at the donor experience of using Gift Aid to identify whether there are any particular barriers to take-up and to inform how we word and present the Gift Aid declaration so that it is as simple for donors to understand as possible.

This work to simplify Gift Aid guidance and looking at the donor experience of Gift Aid will be taken forward in conjunction with our Gift Aid working group. As announced at Autumn Statement, this group will look at how to promote Gift Aid.

Donor benefits

In keeping with our work on simplifying the rules around Gift Aid, as we have done with donations through charity shops, we will also look at the donor benefit rules to see how these might be made clearer.

Air ambulances and inland safety boats

There has been a campaign for a number of years asking for the costs VAT air ambulance charities incur on fuel to be returned in the form of a grant. Following HM Treasury's review of the issue the government will introduce a 5 year grant for air

ambulance charities across the UK to help towards these costs. The Government will also introduce a grant for 5 years to inland safety boat charities across the UK, following a consultation, to be launched shortly.

Social investment tax relief

This Government is also introducing a new Social Investment Tax Relief (SITR), announced at Budget last year, to help grow the nascent social enterprise market.

In today's Budget we announced that we have set the rate of relief for the SITR at 30%. Individuals making an eligible investment at any time from 6 April 2014 will be able to deduct 30% of the value of that investment from their tax return for the year in which the investment is made. HMRC will publish interim guidance for investors and investee organisations alongside the Finance Bill on 27 March.

The relief is for debt as well as equity investments. This is a new departure, unique to SITR, and will make it easier for charities to use the relief. Eligible organisations – including charities within the size limits – will be able to receive up to €344,827 (about £290,000) of investment over three years. We will review SITR in 18-24 months to examine whether the relief is working in the way intended.

Cultural Gifts Scheme

The Government is proud of the UK's long and diverse cultural heritage and so we will also be extending the limit for the Cultural Gifts Scheme and the Acceptance in Lieu scheme, providing up to £40m per year of tax reductions for those who donate important cultural objects to the nation. This will particularly benefit the museums and galleries that display these works to the public.

I hope you will join me in welcoming today's announcements and I look forward to your continuing support in further assisting the charity sector.

Yours Sincerely
Nicky

NICKY MORGAN MP
ECONOMIC SECRETARY TO THE TREASURY

