



NCVO Policy Team Response to Budget 2010

This week's Budget touched on a number of policy areas on which NCVO is actively working. This page gives more detail on what was said, our response, and what we continue to call for. It also gives some links to further information.

Overall, we're reassured by the measures announced and their impacts on the voluntary sector. More specifically however, the Budget marked change on the following issues:

- **VAT on shared services**
- **Social impact bonds**
- **Social investment wholesale bank**
- **Gift Aid**
- **Extending UK charity tax reliefs to certain organisations in the EU, Norway and Iceland**

VAT on shared services

VAT rules often prevent charities from sharing services (such as HR or IT support) because any savings that might be achieved are outweighed by the cost of VAT that sharing incurs.

NCVO has long argued that the Government should implement EU rules which would remove this burden. We are also pressing for a VAT compensation refund scheme.

We're pleased that the Government sees VAT as a problem in the sector and look forward to working to overcome it. More details [here](#)

Social impact bonds

This form of social investment is good news for organisations in the sector for three key reasons. First, social impact bonds bring up-front grant funding to organisations. Second, the Government 'pays by results' meaning funders could make their cash go further. Third, organisations are incentivised to collaborate.

We will watch the pilots with interest. More details [here](#)

Social investment wholesale bank

NCVO welcomes the commitment to support the establishment of a SIWB. However, it is not clear from the Budget statement how this will operate in practice. Talk of a 'fund of funds' is unclear; we have written to the Treasury for clarification.

The Budget repeated that £75m would be made available from dormant bank accounts. NCVO accepts this is a step in the right direction but is disappointed the Government stopped short of allowing all unclaimed assets to be used. We are also concerned about the exact role of the bank and will be seeking clarification on this.

NCVO previously called for a £50m start-up fund plus monies from all dormant accounts to be utilised.

We want a SIWB because the sector needs better access to appropriate finance to build financial resilience and allow for innovation, expansion, and replication of success.

We're keen that the so-called 'fund of funds' meets the needs of the sector first by remaining a wholesaler and being appropriately capitalised. Second, we feel the SIWB must develop the whole market and not operate in competition with existing suppliers of finance; the SIWB must support and complement existing provision.

Read more here: [G:\PublicPolicy\Policy\Funding\social investment and it's a PDF called 'NCVO response to SIWB consultation'](#)

Gift Aid

Gift Aid has increased income from donations by £5.7 billion since 2000, but still £750 million goes unclaimed every year. That is why NCVO and others have been calling for reform. While we are disappointed that major reform of Gift Aid was not ready in time for this Budget, we welcome the Chancellor's commitment to reform and look forward to working with the Government as part of the Gift Aid Forum.

More information [here](#)

Extending UK charity tax reliefs to certain organisations in the EU, Norway and Iceland

The Chancellor announced some changes associated with UK tax payers donating money to organisations in certain European countries. While HMRC is making some changes to the law and processes it uses, the majority of charities in the UK won't be affected. In short:

- if your organisation is changing the Trustee or officer nominated to deal with HMRC changes, they'll have to fill in forms to demonstrate they are 'fit and proper'
- overseas organisations are now eligible for UK tax reliefs, which is significant if an organisation in Europe receives donations from a UK taxpayer.

Organisations wanting these reliefs must meet the English and Welsh definition of a charity, be based in the EU, Norway or Iceland, be registered with appropriate regulators in their own countries, and have managers that are 'fit and proper'.

More information [here](#)

Other areas of note in the Budget for the voluntary sector include:

- A commitment on making basic bank accounts available to a million more people
- Support for an international transaction tax on banks
- Commitment to the Future Jobs Fund, to provide a job or training to all young people aged 18 to 24 who have been out of work for six months
- Extra support for the elderly through increased pension payments and winter fuel allowances.

Read Budget 2010 [here](#)