



VAT and Tax Services for Charities

Introduction

Charities face a significant tax burden, but also many opportunities to reduce that burden and to benefit from the tax system. Recent VAT cases, which we have pursued with our clients have helped to open up exciting opportunities for charities to reclaim very significant amounts of VAT from the past and to improve their VAT recovery in the future.

Gift Aid is a relatively new tax relief for charities, as are the reliefs on gifts of shares and property. When used intelligently, these reliefs are opening up many new opportunities for charities. However, as tax legislation and practice develop, the pitfalls for the unwary or poorly advised only increase.

The Saffery Champness charity VAT and tax team has an enviable track record in improving charities' tax positions through innovative advice that is also sound and practical. We advise many of the UK's leading charities on VAT and other taxes. This brochure explains what we can do.

John Shuffrey

Head of Not-for-Profit



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VAT Services



Everybody knows that charities do not pay tax! However, when considering VAT nothing could be further from the truth. Charities seem to suffer the cost of irrecoverable VAT almost as a privilege of being a Charity.

The reality is that VAT, being a tax on business transactions, does not sit comfortably with the diverse activities of voluntary organisations, many of which are grant or self funded activities undertaken to meet charitable objectives.

The evolution of numerous reliefs introduced to ease the burden of VAT faced by charities has led to a complex and cumbersome tax, even for the most straightforward of charities. We believe that our charity VAT team, which celebrated its tenth year in 2006, is unique in its total dedication to advising not-for-profit organisations.

Our enthusiasm and empathy for the voluntary sector has enabled us to work closely with our Charity clients to implement innovative approaches to mitigating the burden of irrecoverable VAT.

Saffery Champness has taken the lead on many issues now widely adopted as "common practice" within the sector. Driven by a belief that the sector's VAT burden seems grossly unfair, we are always seeking to ensure that the limited VAT reliefs available to charities are fully adopted and implemented by HM Revenue & Customs (HMRC).

We have been advisor to many charities which have been successful in pursuing their VAT position to the VAT Tribunal and Courts. Perhaps most notably we advised The Church of England Children's Society on its landmark High Court case in 2005, which has enabled many charities now to partially recover VAT they incur on raising unrestricted funds.

Numerous multi-million pound windfalls have been achieved through a desire to understand where irrecoverable VAT arises so that simple yet effective VAT saving procedures can be pioneered and implemented.

Our flexible approach to costs and confidence in our ability enables many opportunities to be explored and pursued on a contingency "no success – no fee" basis. Alternatively, we believe our time costs are very competitive.

Services our team provide include:

- Negotiating retrospective windfalls
- VAT opportunity and exposure reviews
- VAT procedure and liability reviews
- Specific transaction advice
- Negotiating VAT recovery methods
- Securing backdated VAT registrations
- Advising on property matters
- Resolving disputes with HMRC
- VAT Tribunal and expert witness
- Due diligence for mergers

If you would like to discuss any aspect of your organisation's VAT position or arrange a free meeting to explore some of the opportunities that may exist to mitigate irrecoverable VAT, please contact me or one of our consultants who will be pleased to discuss your needs.



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Direct Tax Services

Charities are exempt from income tax or corporation tax on their income, profits and gains so long as they satisfy the conditions for exemption, but often, the conditions cannot be met. However, with planning, such taxes need not become payable.

Advice on strategic and investment decisions

We provide well informed advice on the tax issues faced by our charity clients including:

- The use of trading subsidiaries
- Guidance on record keeping for Gift Aid and Gift Aid declarations
- Maximising Gift Aid
- Structuring membership schemes and members' benefits
- Financing of subsidiaries
- Proposals for fund raising events or sponsorship agreements
- Implications of property development or refurbishment opportunities and other property deals
- Ensuring that transactions between the charities and their subsidiaries meet the needs of all entities, are tax efficient and beyond criticism by the authorities

We work with charities in planning for transactions and events in advance and reviewing the relevant draft documentation to ensure tax risks are minimised and tax advantages are maximised wherever possible. Often, a small change to how something is done can result in a big tax saving.

Also, substantial amounts of tax and national insurance are paid by charities under PAYE. We can advise on tax efficient remuneration structuring, eg car schemes and salary sacrifices, which could reduce the charity's employment costs.

Compliance issues

The particular areas where we assist charities are:

Employment related tax issues

We carry out "health checks" on payroll records for any issues that have potential exposure to tax and/or NIC liabilities, including a review of benefits and expenses and give consideration to PAYE dispensations.

Should a notice be received from HMRC of an intention to carry out a PAYE audit, we prepare the charity for this in advance of the meeting and guide it through the process and assist in dealing with issues arising.

Gift Aid

A "health check" is useful to ensure that appropriate records and documentation are in place and enables us to advise on actions to rectify any problems.

Many charities only realise that they have not retained the correct or sufficient documentation to support Gift Aid tax credit claims after they have experienced an audit by HMRC when it can be too late to rectify. Consequently, significant tax credits previously claimed have had to be returned to the Treasury. A health check and involvement in future Gift Aid initiatives could minimise the risk of your charity having the same painful experience.

Tax returns for trading subsidiaries and charities

We ease the administration burden by drafting the annual tax returns and computations, advising on the amount of the donation that a subsidiary should make to avoid a corporation tax charge and when to pay the donation and by filing the return and computations with HMRC.



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Clients

Some of the charities we work with include:

GREENPEACE



Lifeboats

JEWISH CARE



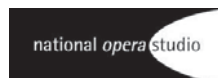
Muscular Dystrophy Campaign



Friends of the Earth



the children's charity



Oxfam



Marine Conservation Society



breast cancer CAMPAIGN



WWF for a living planet®



BRITISH LUNG FOUNDATION



Sharing skills Changing lives



care®
Defending dignity. Fighting poverty.



For better mental health

Saffery Champness

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