

# HMRC Charity Issues

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# HMRC Charity Issues

## Rules for Charity Relief:

- 1. Does the Income fall within the statutory exemptions?
- 2. Are there any Extra Statutory Concessions to cover non-exempt income?
- 3. Has the income been applied for Charitable Purposes Only?

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## Charitable Expenditure: 1

1. What are the objects of the charity:
2. Where can it operate?
3. What is the evidence for the Expenditure?
4. Why was it incurred?

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## Charitable Expenditure: 2

1. The objects of the charity:
2. Know the governing instrument;
3. Construe them strictly
4. Advancement of Religion is limited to ways in which the law regards as charitable: not open-ended.

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## Charitable Expenditure: 3

1. Advancement of Religion covers:
  - a. The proper administration of the charity
  - b. The conduct of public worship
  - c. Preaching and teaching
  - d. Payment of pastors and evangelists
  - e. Other recognised charitable purposes, consistent with the Gospel

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## Charitable Expenditure: 4

### Welfare Payments:

- Express the practical aspects of the Gospel:
- They thus advance religion:
- But they must be proportionate:
- Hence evidence of need required.

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## Charitable Expenditure: 6

### Welfare Payments:

- What need is being relieved?
- What evidence is there of the need?
- Have the trustees recorded the evidence?
- How did they decide that the payment is suitable?

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## Charitable Expenditure: 7

### EXPENSES

- Are you satisfied they were incurred?
- In the course of the performance of the duties?
- Were they incurred ***wholly, necessarily and exclusively during the course of the duties?***



## Charitable Expenditure: 8 EXPENSES

“Wholly, Necessarily and Exclusively”

- The duties dictate the expenditure;
- Not personal choice or convenience;
- Duality of purpose voids the claim;
- Are they proportionate?

# Charitable Expenditure: 9 SYSTEMS

- Advances:
- Final Claims:
- Receipts:
- Declarations:
- Round sum allowances.

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## Charitable Expenditure: 10 Overseas Expenditure

- Why is it being incurred?
- Is it a charitable purpose?
- How much?
- How can you vouch the expenditure?
- Minutes.

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## Charitable Expenditure: 11 Consequences

- Non-charitable expenditure is a breach of trust;
- Non-charitable expenditure is taxed;
- Gift Aid: if this is restricted to cover the tax, will affect Gift Aid Small Donations Scheme:
- Tax Returns.

## Charitable Expenditure: 12

### Conclusions 1

- Not every religious activity is a charitable activity;
- Need to consider expenditure carefully;
- Need to Minute fully reasons for expenditure;
- Need to declare N/C expenditure and pay the tax;

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Charitable Expenditure: 13

Conclusions 2

- Must be proportionate;
- Often need to take advice;
- Consider separate organisation to carry out non-charitable events.

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