

Charity tax budget 2018 update

HMRC has listened to calls from the charity sector and announced several measures that will go some way to reduce charities' admin burden.

Corporation tax small scale trading exemption

The most welcome change updates the non-primary purpose trading limits, which have been static for many years. The limits enable charities to carry out a small amount of non-primary purpose trading without being subject to tax. The lower limit has now been increased from £5,000 to £8,000 where a charity's relevant turnover is less than £32,000; the upper limit has increased from £50,000 to £80,000 where a charity's relevant turnover is in excess of £320,000.

The new limits come into effect from 1 April 2019 for incorporated charities and 6 April 2019 for all others and will be as follows:

Charity income	Maximum non exempt income
Under £32k	£8k
Between £32k to £320k	£25% of income
Over £320k	£80k

Many charities do undertake a small amount of non-charitable trading, so this update will save them the admin time and costs associated with running a trading subsidiary.

Gift Aid Small Donations Scheme

The limits of the Gift Aid Small Donations Scheme will also increase. The scheme allows charities to claim a top up in relation to cash gifts received, for example from cash collection cans. This scheme means that no gift aid declaration requires to be made by the donor to enable the charity to claim the top up. The current limit is cash gifts of up to £20 and this will increase to £30 from 6 April 2019. Charity shops will also be allowed to use the Retail Gift Aid Scheme to send letters to donors every three years when their goods raise less than £20 a year, rather than the current annual requirement.

Gift aid donor benefit rules

It has been announced that changes will be made to the donor benefit rules, to come into effect in relation to gifts and payments made on or after 6 April 2019. Currently, there is a cap on the benefits a donor can receive while claiming Gift Aid.

The change will replace the current mix of monetary and percentage thresholds when considering donor benefits. Currently the donor benefit rule limits are as follows:

Donation up to	
£100	25% of the value of the donation as the maximum value of benefits
£100 to £1,000	£25 as the maximum value of benefits
Over £1,000	5% of the donation as the maximum value of benefits, up to a maximum value of £2,500

From 6 April 2019, the maximum value of benefits for donations up to £100 will remain at 25% of that amount. For any donations over £100 charities will then be able to offer an additional benefit of 5% to donors on the amount of the donation that exceeds £100. The total value of the benefit that a donor can receive will remain at £2,500. This will therefore change the system to a 2 tier cumulative benefits test.