



2018 Budget summary for charities

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Small scale trading limit

From April 2019, the government will introduce a package of measures to reduce administrative burdens on charities. These will increase the upper limit for trading that charities can carry out without incurring a tax liability from £5,000 to £8,000 where turnover is under £20,000, and from £50,000 to £80,000 where turnover exceeds £200,000.

RGAS

From April 2019 the government will allow charity shops using the Retail Gift Aid Scheme to send letters to donors every three years when their goods raise less than £20 a year, rather than every tax year. This will save charities many thousands of pounds.

GASDS

From April 2019, the government will increase the individual donation limit under the Gift Aid Small Donations Scheme to £30, which applies to small collections where it is impractical to obtain a Gift Aid declaration.

IR35 in the private sector

Off-payroll working in the private sector – To help people comply with the existing rules and bring private sector organisations in line with public-sector bodies and agencies, the government will reform the off-payroll working rules (known as IR35) in the private sector. This follows consultation and the roll-out of reform in the public sector. Responsibility for operating the off-payroll working rules will move from individuals with personal service companies to the organisation, agency or other third party engaging the worker. To give people and businesses time to prepare, this change will not be introduced until April 2020. Small organisations will be exempt, minimising administrative burdens for the vast majority of engagers, and HMRC will provide support and guidance to medium and large organisations ahead of implementation.

VAT registration threshold

Alongside the Budget, the government is publishing a response to the call for evidence on the design of the VAT threshold. The responses to the call for evidence did not provide a clear option for reform. The VAT threshold will therefore be maintained at the current level of £85,000 for a further two years until April 2022. The government will look again at the possibility of introducing a smoothing mechanism once the terms of EU exit are clear.

Legislating the existing tax treatment of expenses for unpaid officeholders

The Government will legislate in Finance Bill 2019–20 so that expenses paid or reimbursed to unpaid office-holders are exempt from income tax when incurred because of their voluntary duties. This places the existing concessionary treatment on to a statutory basis, providing certainty for those organisations engaging unpaid office-holders. Corresponding

legislation will also be introduced to mirror the income tax exemption for National Insurance contributions. The change will have effect on and after Royal Assent of Finance Bill 2019–20.

Grants for specific charities

Village halls, Miners' Welfare facilities and Armed Forces organisations' facilities – The government will provide up to £8 million to help with the cost of repairs and alterations to village halls, Miners' Welfare facilities and Armed Forces organisations' facilities.

First World War commemoration – To mark the centenary of the First World War Armistice and the sacrifices made by so many men and women, the government will commit £10 million to support veterans with mental health needs, and will make available an additional £1 million for First World War battlefield visits for school students.

Holocaust commemoration and education fund – The government will provide a charitable organisation with £1.7 million for educational projects in schools to mark the upcoming 75th anniversary of the liberation of the Bergen–Belsen concentration camps.

Employment allowance restriction to small businesses

To target the Employment Allowance (EA) to support smaller businesses, from April 2020 the government will restrict access to employers with an employer National Insurance contributions (NICs) bill below £100,000 in their previous tax year. The EA provides businesses and charities with up to £3,000 off their employer NICs bill.

Apprenticeship levy

The government will introduce a package of reforms to strengthen the role of employers in the apprenticeship programme, so they can develop the skills they need to succeed. As part of this:

- the government will make up to £450 million available to enable levy paying employers to transfer up to 25% of their funds to pay for apprenticeship training in their supply chains
- the government will provide up to £240 million, to halve the co-investment rate for apprenticeship training to 5%
- the government will also provide up to £5 million to the Institute for Apprenticeships and National Apprenticeship Service in 2019–20, to identify gaps in the training provider market and increase the number of employer–designed apprenticeship standards available to employers. All new apprentices will start on these new, higher–quality courses from September 2020
- the Exchequer Secretary to the Treasury and the Minister for Apprenticeships and Skills will work with a range of employers and providers to consider how they are responding to the apprenticeship levy across different sectors and regions in England, as well as the future strengthened role of apprenticeships in the post–2020 skills landscape

Taxation of self-funded work-related training

Following consultation responses indicating that tax relief is unlikely to be effective in addressing the barriers to learning or incentivising training, the government is maintaining the scope of tax relief currently available to employees and the self-employed for work-related training costs. Instead, the government is launching the National Retraining Scheme and skills pilots to help those in work, including the self-employed, develop the skills they need to thrive.

VAT and higher education

The government will amend VAT law to ensure continuity of VAT treatment for English higher education providers under the Higher Education and Research Act by enabling bodies registered with the Office for Students in the Approved (fee cap) category to exempt supplies of education.

Alternative method of VAT collection: ‘split payment’

To reduce online VAT fraud by third country sellers and improve how VAT is collected on cross-border e-commerce, the government is looking at a split payment model. Following the consultation launched at Spring Statement 2018, the government is publishing a response at the Budget. An Industry Working Group will also be established to address some of the main challenges associated with this policy through close cooperation with stakeholders.

VAT grouping

The government will legislate in Finance Bill 2018–19 to extend the eligibility to join a VAT group to certain non-corporate entities. In addition, revised VAT grouping guidance will be issued to:

- amend the definition of ‘bought in services’ to ensure that such services are subject to UK VAT
- provide clarity to businesses on HMRC’s protection of revenue powers and treatment of UK fixed establishments

These guidance changes will be published in draft and come into effect from 1 April 2019.

Unfulfilled supplies – prepayments

The government will amend rules from 1 March 2019 to bring consistency to the VAT treatment of prepayments. This change will bring all prepayments for goods and services into the scope of VAT where customers have been charged VAT but have failed to collect what they have paid for and have not received a refund.

Regulation 38 – when adjustments to VAT should be made following a reduction in price

The government will introduce stricter rules for how and when adjustments to VAT should be made following a reduction in price. Secondary legislation will tighten definitions for Regulation 38 and ensure a credit note is issued to customers. This will guarantee businesses are transparent and do not benefit from VAT that is due to the consumer or the Exchequer.

Preventing abuse of R&D tax relief for SMEs

To help prevent abuse of the payable credit, from 1 April 2020, the amount of payable R&D tax credit that a qualifying loss-making company can receive in any tax year will be restricted to three times the company's total PAYE and NICs liability for that year. This will ensure the relief is robust against identified abuse, including fraud, following the prevention by HMRC of fraudulent claims worth £300 million. The government will consult on this change.

Small business rates relief

To provide upfront support through the business rates system, the government is cutting bills by one-third for retail properties with a rateable value below £51,000, benefiting up to 90% of retail properties, for 2 years from April 2019, subject to state aid limits.

Personal allowances

The Budget announces that the government will meet its commitment to raise the personal allowance to £12,500 and the higher rate tax threshold to £50,000 from April 2019, one year earlier than planned. These thresholds will remain at the same levels in 2020–21 and then increase by CPI.