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Not for Profit eNews

December 2023

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Welcome to the final edition of MHA Not for Profit eNews for 2023.

In this edition of eNews, we summarise and reflect on the main announcements of the Autumn Statement, highlighting the key measures impacting the Charity sector.

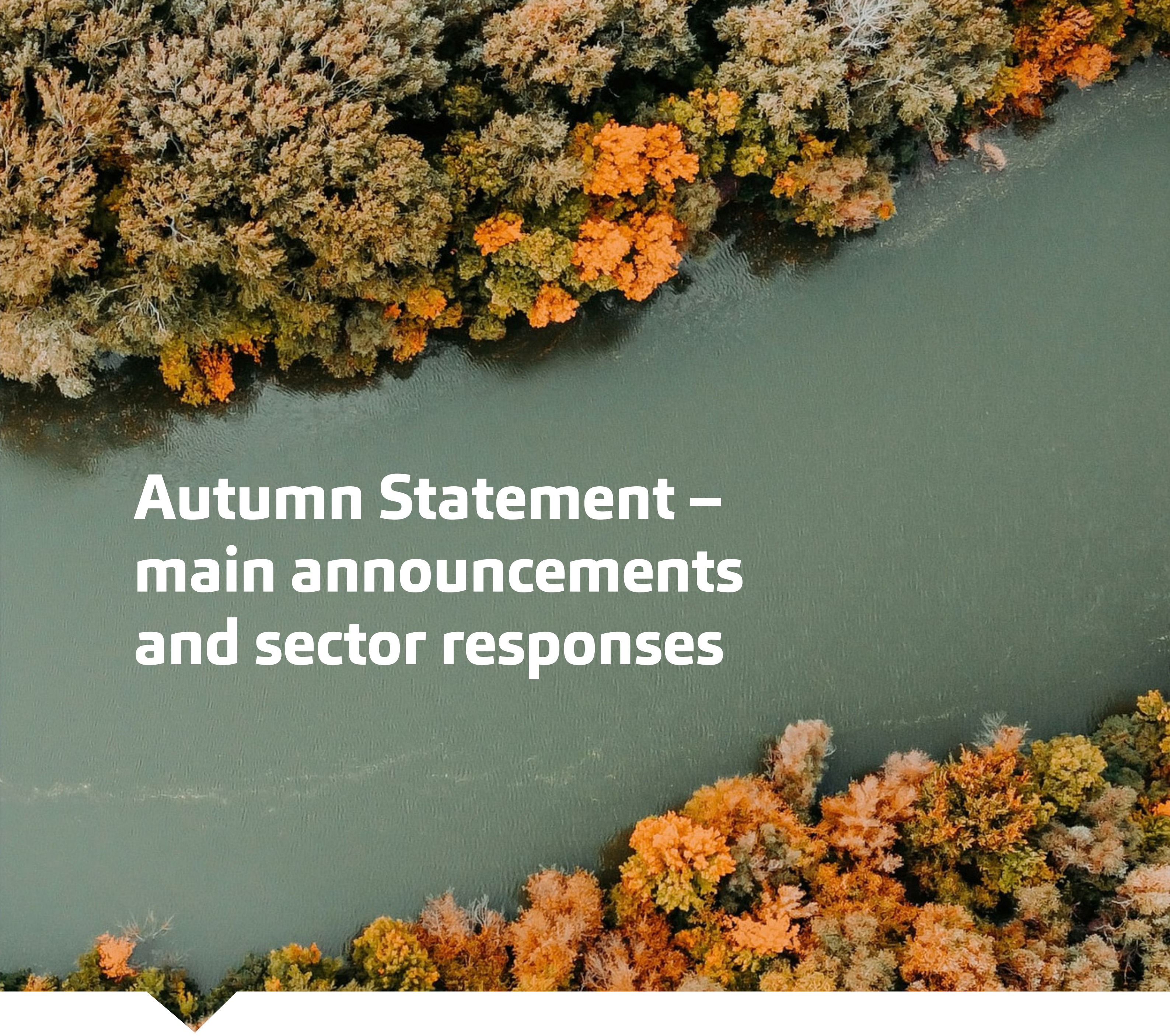
We also share the Charity Commission's recent blog regarding the lease-based model of supported housing, noting the risks associated with such a model and the guidance available to charity personnel operating it.

Finally, we highlight two other Charity Commission communications: first, a series of guidance regarding the My Charity Commission Account following its recent roll-out; second, an open letter to UK banks regarding the banking difficulties faced by the Charity sector and improvements which it argues should be made.

As ever, if there are any points you wish to discuss further in this issue please do get in touch.

May we take this opportunity to wish you all a very Merry Christmas and a Happy New Year and we very much look forward to working with you in 2024.

Best Regards,
MHA Not for Profit team



Autumn Statement – main announcements and sector responses

While recognising that the Chancellor's priority was to stimulate growth and support business, we had hoped that the Autumn Statement would have contained at least some measures to help charities, many of whom are struggling to maintain the services on which many depend."

Richard Bray, Charity Tax Group Chair

On 22 November, Chancellor Jeremy Hunt issued his **'Autumn Statement for Growth',** offering tax cuts for working people and British business. As measures set out in the budget begin to take effect, detailed below are the **main announcements of interest** for the Charity sector, as summarised by the Charity Tax Group:

1 Reforms to Energy-Saving Materials VAT Relief

Prior to 2013, VAT relief was available for installation of energy saving materials in charitable premises. However, this was withdrawn as being inconsistent with EU law.

Since then, the relief has been reintroduced and, following a call for evidence, the Government will now expand it to include additional technologies such as water-source heat pumps. The new relief also brings buildings used solely for a relevant charitable purpose back within scope. These reforms will be implemented UK-wide in February 2024, with full details expected to be published shortly.

2 National Insurance contributions cut

Employee National insurance contributions are to be cut from 12% to 10% from 6 January 2024. This will mean that employees earning over the £12,570 annual threshold will see an increase in take-home pay.
For those working in the charity sector that are self-employed, the weekly Class 2 National Insurance contribution is to be abolished, and the earnings-related Class 4 contribution rate is to be cut from 9% to 8% from 6 April 2024.

3 National Living Wage increase

From 1 April 2024, the National Living Wage will increase by 9.8% to £11.44. Workers over the age of 21 will become eligible for the adult rate (the age threshold is currently set at 23 years old). Whilst the national insurance reforms have a largely administrative impact on charities, the increase in the National Living Wage will have budgetary implications that will need to be taken into account in the 2024 budgeting process.

4 Business rates and business rates discount for hospitality, retail and leisure

Charities with rateable premises will see the main business rates multiplier increase from 51.2p in the £ to 54.6p. However, for 2024-25, the small business multiplier in England will be frozen for a fourth consecutive year at 49.9p in the £. Furthermore, the 75% business rates discount for eligible hospitality, retail and leisure properties is being extended to 2024-25.

5 Benefits

Benefits will increase next year by 6.7%, the inflation rate for September 2023. This applies to working-age benefits such Universal Credit, and disability benefits.

6 Capital allowances

Charities that have trading subsidiaries, or that are otherwise within the charge to corporation tax, will see the 100% tax relief (first year allowance) for investment into IT, machinery and equipment that was due to end on 31 March 2026 made permanent. This measure is intended to provide businesses with future certainty over their investment decisions.

7 Local Housing Allowance rates increase

The Government will raise Local Housing Allowance rates to the 30th percentile of local market rents in April 2024.

8 Off-Payroll Working (IR35)

The Government will legislate in the Autumn Finance Bill 2023 to allow HMRC to reduce the PAYE liability of a deemed employer to account for taxes paid by a worker and their intermediary on payments received where an error has been made in applying the off-payroll working rules.

9 Extending the Employer NICs relief for employment of veterans

The Government is extending the National Insurance Contribution (NIC) relief for employers of eligible veterans for one year. The relief means businesses & charities pay no employers NICs on annual earnings up to £50,270 for the first year of a qualifying veteran's employment in a civilian role.

10 Van Benefit Charge and Car & Van Fuel Benefit Charges

The Government will maintain the Van Benefit Charge and the Car & Van Fuel Benefit Charges at 2023-24 levels for 2024-25.

The Statement brought about **a number of responses from the Charity Sector.** Representatives of Homeless Link were pleased that "the chancellor has finally listened to the repeated calls from our members in the homelessness sector and uplifted the Local Housing Allowance (LHA) rate", but also "alarmed by the government's plans to increase the use of punitive welfare measures". Christian Aid rather damningly claimed that the Statement is "absent of hope".

In a broader context, we at MHA have published our full **key takeaways** from the Statement.

The lease-based model of supported housing – risks and guidance

Supported housing is provided by local authorities, housing associations and private landlords and in many cases by charities in order to meet the needs of vulnerable people; accommodation is provided alongside support, supervision and care to help such people live as independently as possible. Examples of supported housing may include group homes, hostels, refuges, supported living complexes and sheltered housing.

Increasingly, the Charity Commission is becoming aware of charities providing this type of accommodation via the 'lease-based model'. Under the model, a charity does not own the property through which it provides accommodation but instead holds lease agreements with third parties such as investors and property developers.

In some instances, a charity may even sell property that it owns to a third party and then lease the property back from that third party. The Charity Commission have recently reminded charity trustees of the risks associated with this model – as the regulator of charities, a key part of the Commission's role is to alert the sector to emerging risks so that trustees can take the appropriate action.

The Commission highlights four major risks:

1. **Taking on obligations that are difficult or impossible to meet**

The contractual property agreements associated with the model are often complicated and if entered into without full understanding can lead to obligations, such as repair and upkeep of property, which are difficult or impossible to meet.

2. **Having insufficient income to meet the terms of the lease**

Much of the income of supported housing providers derives from Housing Benefit, which has complex rules that can change without warning. As trustees, the risks of entering into long term contracts should be carefully considered and only entered into if they are confident that the charity will have sufficient income, over the full term of the lease, to cover all future costs.

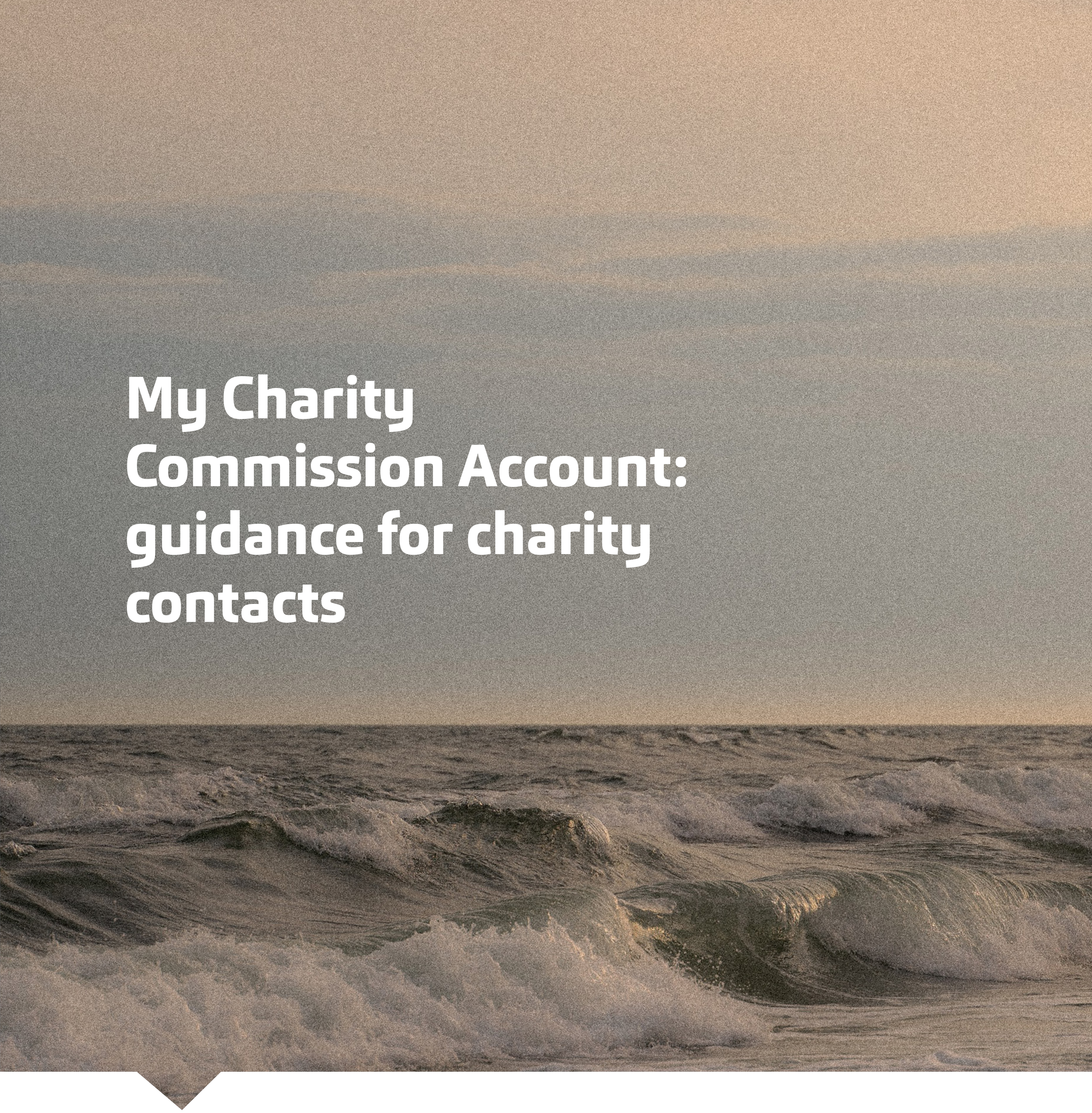
3. **Conflicts of interest**

The Commission has seen cases where trustees of supported housing charities are in receipt of personal benefits from the charity, raising questions about trustees' ability to make decisions based only on what is best for the charity.

4. **Rapid growth in operations**

Adopting the lease-based model has led to some charity's experiencing rapid growth but also difficulties adapting to this change. Relevant guidance designed to help charity trustees navigate these risks is available, and the Commission have encouraged trustees to take appropriate professional advice where necessary.

My Charity Commission Account: guidance for charity contacts



The Charity Commission have recently published further guidance on how charity contacts can set up and use the Commission's new My Charity Commission Account (MCCA), and how to manage other users' access and permissions.

Following a turbulent roll-out of the Commission's new MCAA system, through which a charity's annual accounts and the annual return are to be submitted, the Commission have set out a clear, step-by-step guide, incorporating videos on how to **invite your trustees to set up their accounts** and **how to grant access to third-party users.**

The Commission have simultaneously launched: **'common issues' guide** to help individuals troubleshoot hurdles faced in setting up their MCCA, such as setup links and access codes expiring and adding other users; **guidance aimed at third-party users,** such as charity employees, volunteers or professional advisors; specific **guidance for trustees.**

UK charity regulators issue open letter to UK banks

The Chief Executives of the UK's three charity regulators recently issued an open letter to the UK's main high street banks requesting urgent action to help hard-pressed charities.

The letter explained that charities are on the frontline of the cost-of-living crisis, providing vital support to people across the country, and that many charities are themselves facing financial difficulties. The Chief Executives argue that these current stresses are heightened by 'avoidable' frustrations at the availability of bank accounts and the substandard service banks provide:

"From our work with charities, we know that they are:

- Having accounts closed or suspended suddenly for long periods of time
- Facing a reduction in bespoke banking services
- Experiencing poor customer service and administrative delays
- Finding that online banking is not designed to match the way charities operate"

Whilst there has been worthwhile dialogue through UK Finance and its **charity and community banking project,** which aims to improve information for charities to help them better interact and understand what is required from banks, the letter argues that the banks themselves need to do far more in terms of training their customer service teams to understand the nature of charities' operations.

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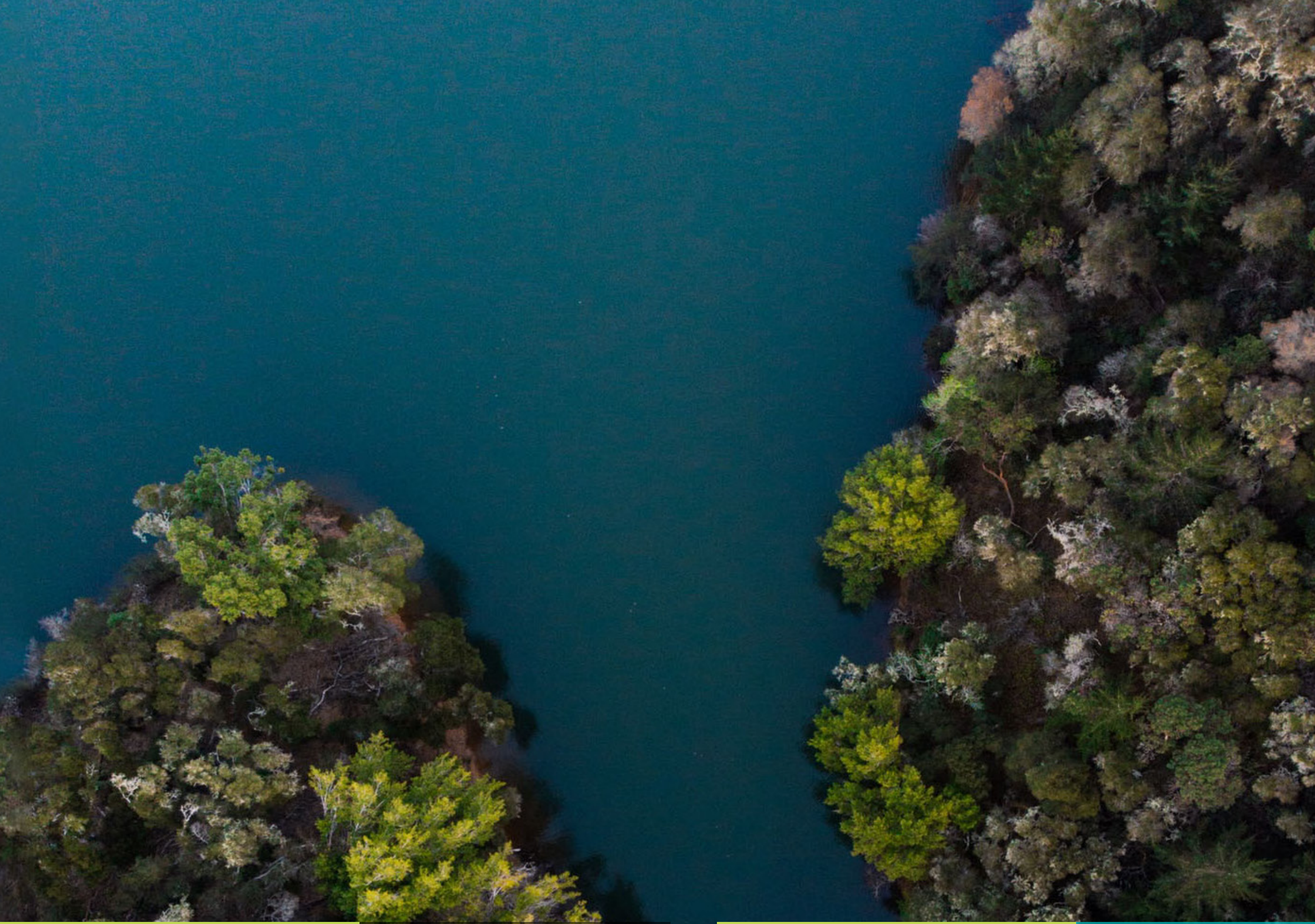

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