LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

CALL FOR VIEWS ON THE NON-DOMESTIC RATES (SCOTLAND) BILL

SUBMISSION FROM CHARITY TAX GROUP AND CHARITIES’ PROPERTY ASSOCIATION

Introduction

The Charity Tax Group (CTG) has over 700 members of all sizes representing all types of charitable activity. It was set up in 1982 to make representations to Government on charity taxation and it has since become the leading voice for the sector on this issue.

The Charities’ Property Association (CPA) represents charities which own and manage properties as investments. It represents almost 100 charities with significant property portfolios, including charitable housing trusts, Oxford and Cambridge colleges, churches, and independent schools.

We welcome the opportunity to submit a joint response to this consultation and would be happy to meet officials to discuss our answers in greater detail.

Charity business rate relief

Authorities have discretion to grant rate relief from all or part of the amount of non-domestic rates payable and the level of relief determined by an authority may be varied by a further determination. Generally, properties used wholly or mainly for charitable purposes, or which are registered Community Amateur Sports Clubs are eligible for 80% mandatory relief. This relief can be topped up to 100% at the discretion of the local authority.

Charity business rates relief is invaluable to many charities and is estimated to be worth up to half the value of all reliefs received by the sector. Scottish Government statistics indicate that the charity relief was worth £215m in Scotland in 2017-18 and we are encouraged by the Government’s continued overall support for rates relief for charities.

Views on Section 10, which removes eligibility to claim charitable relief from non-domestic rates from mainstream independent schools

We support the proper review and reform of taxes, including business rates. We do, however, have concerns about the potential impact of section 10 of the Bill, both in Scotland and more widely. In our view, the tax system should not be used to restrict support for charities that are deemed to be less “deserving” – this should be a charity law point. Today it is independent schools, which type of charity will be next?

It is critical that charities are able to operate within a regulatory and tax regime that is non-partisan and treats as equally worthy any purpose that falls within the legal concept of charity. For a Government (or the sector itself) to manipulate charitable tax
reliefs to favour one charitable purpose over another would damage innovation by charities and undermine the freedom of choice which encourages charitable giving. Government is free, quite properly, to give grant-aid to particular types of charities where that is considered to be an efficient and effective means of delivering policy objectives. But the converse – to deny charitable reliefs except in favoured cases – has much more far-reaching and negative repercussions for the sector as a whole. The definition of charities should remain an issue for the relevant independent regulator (OSCR in this case).

OSCR has itself raised “a general concern that treating any group of charities in a differentiated way for tax or other purposes, as proposed by the Barclay Review, introduces the potential for confusion in the public mind as to what it means to be a charity”. We agree with this statement.

OSCR also noted that, while the charitable status of those charities affected by the review is not in question, “there is a sense in which the proposals might result in a devaluing of the charity status of certain groups of charities”. It continued, “Allowing the creation of a ‘two-tier’ charity sector within a ‘single-tier’ regulatory regime could be damaging to the public’s trust and confidence in both the sector and charity law”. Again, we share OSCR’s concerns and we believe that the impact could be damaging to the public’s trust and confidence in the sector across the UK, not only in Scotland. These concerns were voiced at the Charity Tax Group (CTG) conference in April 2019, with CTG Vice-Chairman Richard Bray raising concerns that we “might be moving into a world where you refer to first and second-class charities”.

Lastly, we question whether section 10, if implemented, would achieve the policy objective of increasing fairness and achieving a level playing field amongst ratepayers. There are other differences in the way taxes apply to state schools and independent schools, in particular differences in VAT. If the aim is to “achieve a level playing field”, then those differences would also need to be addressed. A report by Edinburgh-based independent economic consultancy BiGGAR Economics, commissioned by the Scottish Council of Independent Schools, has demonstrated the financial impact of the withdrawal of business rates together with other economic challenges faced by independent schools. It is important that this is considered as policy is developed.