



Northern Ireland
Assembly

Committee for Social Development

OFFICIAL REPORT (Hansard)

Small Charitable Donations Bill: DSD Briefing

8 November 2012

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Mr Alex Maskey (Chairperson)
Mr Mickey Brady (Deputy Chairperson)
Ms Paula Bradley
Ms Pam Brown
Mr Gregory Campbell
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Mr Mark Durkan
Mr Fra McCann
Mr David McClarty

Mr Roy McGivern Department for Social Development

There is an upper limit of £5,000, which could return a maximum of £1,250 per annum in top-up payments to a charity. An example of that could be church cash collections where no envelope is

provided, which are not covered under the gift aid scheme but which would be eligible under the new small donations scheme.

It is estimated that by 2015 there could be an additional £100 million a year in top-up payments for charities across the UK. At present, more than 6,000 charities in Northern Ireland are registered with HMRC for tax purposes and to claim gift aid.

Members will be aware that, as the Chairperson outlined, concerns have been expressed in the charitable sector about complexities in the new scheme and about disqualifying conditions and the fact that it was aligned with the formal gift aid scheme. Those concerns were discussed during the Bill's Committee Stage at Westminster; indeed, a number of them were raised by Mark Durkan MP who was the Northern Ireland representative on the scrutiny Committee.

The Treasury is insistent that the new scheme must be aligned to gift aid in order to ensure that there are safeguards in place and that any potential fraud is minimised. These are public funds, and as there is currently only minimal scrutiny of gift aid claims, it is important that charities can show a reasonable track record in submitting claims before they are eligible for the new scheme.

The Treasury has told us that the fundamental issue for any tax relief scheme is that proper control measures must be in place to prevent fraudulent claims. HMRC is, therefore, striving to achieve a balance between the need for proper accountability and the requirements of small charities that may wish to benefit from the new scheme.

This means that any charity that wishes to claim a top-up payment under the scheme must register with HMRC for tax purposes and submit gift aid claims for three consecutive years. The Minister at Westminster did, however, agree to review the implementation of the scheme within three years. The review will look at take-up levels for the scheme and at any problems that small charities may have faced.

Some amendments were agreed at Committee Stage, mainly to address some technical issues around what are called connected charities and community buildings. I will summarise what that means. Connected charities are those that may be connected, perhaps through their trustees, and can pool their donations for the purposes of making a claim for top-up payments.

The community buildings clause is also very beneficial for charities. It means that those that are, perhaps, centrally controlled with one single registration can submit additional claims for each component part of the charity. That means, for example, that a church that may be registered at diocese level could submit additional claims for up to £5,000 for each of its congregations or parishes. That will be very beneficial for local churches.

The Treasury is also insistent that there can be no regional variations to the scheme, as it will be funded and administered centrally by HMRC at no cost to the Northern Ireland block grant. It has also requested that the scheme be made an excepted matter under schedule 2 to the Northern Ireland Act 1998. That has been agreed by our Minister and by the Executive.

The Department is aware that, despite concerns about the details of the scheme, charities in Northern Ireland are, in the main, broadly supportive of the principles. It is due to come into effect by April 2013, and in order for Northern Ireland charities to benefit and to submit claims, the Assembly must approve the legislative consent motion (LCM). That approval is required before the final report stage at Westminster, which is scheduled for 26 November.

Our Minister proposes to table the LCM for debate in the Assembly on Tuesday 20 November, subject to the Committee's approval. That will enable the Committee to finalise its report and to circulate it to members in advance of the motion being debated.

In closing, I seek the Committee's support for the proposal to extend the small donations scheme to Northern Ireland, to make this an excepted matter under the Northern Ireland Act 1998, and for the Minister to bring forward the motion for debate in the Assembly on 20 November.

The Chairperson: Thank you, Roy.

Mr Brady: Thank you for your presentation; the issues are quite technical. If the Assembly does not give legislative consent, the difficulty for small charities will be the same as for small voluntary groups: they will have to go through bureaucratic hoops. It seems that rather than making it easier for smaller

charities to get those small gifts, it becomes more difficult and time-consuming and possibly costs them extra money. What would the outcome be if the Assembly did not give legislative consent?

Mr McGivern: Those are the very concerns that were raised at Westminster when I was there last week at the final evidence session. The Treasury Minister said that he would review the scheme within three years to try to assess what difficulty there had been for small charities. However, if the Assembly does not pass the motion by 26 November, Northern Ireland charities will not be included in the Westminster Bill and cannot make any claims for top-up payments, so the new scheme will not extend to Northern Ireland.

The view from the Department is that it is much more beneficial to enable our charities to be eligible to make claims under the scheme, to assess what difficulties there may be during the first two or three years of operation, and to feed those difficulties through to the Treasury and HMRC to make changes in future.

Mr Brady: Smaller charities could possibly go out of existence within three years if they were not able to comply with the requirements. Three years is a relatively long time.

Mr McGivern: Under the new scheme, the maximum amount that a charity could claim is £1,250 per year; it is not a massive amount of money, but it could make a difference to a small charity. We have 6,000 charities in Northern Ireland, and that includes a broad spectrum of large and small charities. They are already claiming gift aid, and this scheme will not be any more complex than gift aid. Indeed, it should be simpler than gift aid because it is an online system. Once you make a claim for gift aid, you will automatically be directed to the new scheme from next April. That should be one complementary system for claiming both tax reliefs.

The Chairperson: Ok, Roy, thank you for that. You heard from Roy that the Minister will bring the legislative consent motion for debate on 19 or 20 November. The Committee's informal report on the legislative consent motion will be prepared for the Committee's approval at next week's meeting, taking into consideration that it was raised at today's meeting. Therefore, an agreed copy of the report will be circulated to all members in advance of the debate in the Assembly on the legislative consent motion. That means that we will bring our report back next week.

The Committee Clerk: We will bring our report back next week, Chair. The Minister wants to bring the motion on 20 November, with the debate scheduled for 26 November. That is a deadline that the official indicated the Assembly would have to meet in order for NI charities to be included in the Westminster Bill. The report will come next week, but the Department is looking for the Committee's agreement on the draft motion, which is before you.

Mr F McCann: We are not deciding on it today; we are waiting for the report to come back next week. Aspects of what Mickey said come into play, and I am just thinking about one-off charities that may have been set up to deal with specific issues, and how this will impact on them. If we have the freedom to decide that there is a report coming back next week, which we will vote on, that would give us a bit of leeway to find out whether there is something that would stand in the way of those charities.

The Committee Clerk: The official is very clear that HMRC is adamant that there will be no regional deviations. If there are no regional deviations, and you still object and do not agree with it and it is voted down by the Assembly for whatever reason, the simple effect will be that NI charities will not be in the scheme.

The Chairperson: I am unhappy with the idea of agreeing to make the issue an excepted matter because that means that our hands are completely and utterly tied for a minimum of three years. That is something that I want to consider properly. We can take a decision on it today, and I can put the motion, or we can put the motion formally at our meeting next week.

Mr McClarty: I propose that we defer it to next week.

The Chairperson: OK. We have a proposal to defer it and make a decision next week, so people can consult their parties and come back. We will make a formal decision on the issue next week.

Mr Campbell: Are we OK for time?

The Chairperson: The Minister will table the legislative consent motion in the Assembly anyway, so this will not interfere with that time frame. We will make a decision next week. Are members happy with that?

Members indicated assent.