

Budget 2009 – The impact on the Charities and Education Sector

Introduction

The Chancellor delivered his Budget Report on 22 April 2009. This publication highlights issues of specific application to the charities and education sector. For a full review of general changes please refer to our website at www.jamescowper.co.uk/budget/budget2009.html

You should note that these comments are made subject to any changes that may be made to the draft legislation before the Finance Act is passed in Summer 2009.

For charities generally the Budget was no great success. There was no specific mention of charities in the actual Budget speech with the press releases left to provide the detail.

Highlights

- Hardship fund
- Substantial donors
- Gift Aid
- Housing supply measures
- Welfare and poverty

Hardship fund

The Chancellor introduced a £20m hardship fund for charities to help organisations which have been affected by the current economic climate and may be struggling to cope with demands on them.

The funding will be given by way of grants, and targeted at charities and other voluntary organisations with resource constraints due to an increased demand for their services.

Substantial donors

It was hoped that proposals would be announced to relax the substantial donor rules but this would appear to have been put on the back burner with further consultation promised. The original rules were brought in during 2006 and aim to prevent tax avoidance where taxpayers get tax relief on donations to charity and then receive a benefit back from the charity. The only change announced was that from 23 April 2009 there would be an increase in the threshold of relievable gifts that a person could make before becoming a substantial donor from £100,000 over a period of six years to £150,000. The annual threshold of £25,000 remains the same. This measure will not be a huge help to charities.

Gift Aid

Charities can claim tax relief on gifts of money from individuals provided the donor has paid sufficient UK tax in the year the donation is made. In situations where a non-domiciled donor pays on the remittance basis and is required to pay the £30,000 remittance charge, this will now be available to “frank” Gift Aid payments.

From 5 April 2010 there will be a new top rate of income tax of 50%. For high earners paying tax at this new rate, Gift Aid will become a more valuable relief. The Budget Report also states that “the government continues to explore ideas to improve Gift Aid, and has commissioned research into the effect of redirecting higher-rate relief from donors to charities”. Any legislation as a result of this research would be unlikely to have effect until the 2010 Finance Act.

Housing supply measures

A package of measures was announced to help homeowners, homebuyers and the housing market. The government pledged a £600 million funding package of measures to build more homes through unlocking sites currently sitting dormant. The stamp duty holiday for all properties costing up to £175,000 has been extended until 31 December 2009.

Welfare and poverty

It was acknowledged that many households have been hit by the downturn in the economy, including those affected by rising unemployment or by falling hours or wages. The Chancellor announced action to support employment, families with children and pensioners and to help people manage their finances. The measures announced include an additional £1.7 billion set aside for the Department for Work and Pensions and a guaranteed job, training or work placement for all 18 – 24 year olds who have been unemployed for 12 months.

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Conclusion

An additional payment alongside this year's winter fuel payment, worth £100 for households with someone aged over 80 and £50 for households with someone aged over 60, was also announced.

The Budget developed similar themes to recent budgets in terms of fairness and the elimination of poverty. However, it did not bring any real good news for charities. Many of the measures hoped for were not forthcoming with a general commitment that ideas will be explored further. This will not provide any great help for charities in the difficult times which lie ahead.

How we can help

If you have any queries on how the Budget 2009 affects charities and schools please contact:

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