



## PREFACE TO SEVENTH EDITION

The object of this book is to discuss as thoroughly as possible the law and the practical problems faced by charities and donors to charity.

The scope for tax saving by charities, and the tax cost to a charity of ignoring tax law, will be obvious to all our readers. Charity trustees should note the following warning from the Charity Commissioners:

Trustees ... may be personally liable to account for taxation liabilities which are unnecessarily incurred directly or indirectly as a result of the inefficient administration of the charity. It makes no difference whether the liabilities may arise not from the disqualification of the investment made by the charity, but from the disallowance to the associated trading company of corporation tax relief.<sup>1</sup>

It is the duty of charity trustees – and their professional advisers – to ensure that a charity’s tax affairs are properly managed.

The last edition was only two years ago, but the changes affecting charities in that time have been substantial. In particular:

- (1) The FA 2008 reduces the basic rate of IT, with transitional relief for Gift Aid.
- (2) The Tax Law Rewrite has given us the CTA 2009. Charitable trusts are taxed under ITA, but the charity tax exemptions for charitable companies are still in ICTA, which is worded differently and sometimes different in effect. This makes our charity tax book twice as difficult to write (and to read). Fortunately the problem is only transitional as a future Corporation Tax Act will eventually bring the two more or less into alignment.

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<sup>1</sup> Charity Commissioners Report 1988 para 44; the same point was made in CC35 (Charity and Trading) April 2000 para 5 but does not seem to be in the 2007 Guidance.

- (3) HMRC have revised their Guidance Note on many points. The Charity Commission have re-issued C35 (Charities and Trading).
- (4) The courts have decided some interesting cases including *Pershe v Finanzamt Lüdenscheid* (unlawful to deny charity tax relief to EU charities); *Simpson v HMRC* (gift aid); and *Bailhache Labesse Trustees v HMRC* (IHT exemption).

Many other parts of the book have been rewritten in an attempt to analyse the problems more deeply and more clearly. We have also expanded the book with new chapters on Community Amateur Sports Clubs and rating relief.

We hope this work will help the reader find a way through the complexities of charity tax.

We are grateful to Robert Venables QC, joint author of the first two editions of this book, for discussions on many aspects of tax, and to Setu Kamal the co-author of the 6th edition.

Comments from readers would be of the greatest value and interest to the authors. The pleasure in writing this book consists in the interest of the questions which it raises and the success which it may have achieved in answering them.

We have tried to state the law as at 1 September 2009.

James Kessler QC  
15 Old Square  
Lincoln's Inn  
London WC2A 3UE  
*kessler@kessler.co.uk*  
*www.kessler.co.uk*

Harriet Brown  
15 Old Square  
Lincoln's Inn  
London WC2A 3UE  
*harrietbrown@15oldsquare.co.uk*