

representing charities on tax

CTRG, 1 Millbank, London SW1P 3JZ **Tel:** 020 7222 1265 **Fax:** 020 7222 1250
e-mail: info@ctr.org.uk **web:** www.ctr.org.uk



VAT Campaign: Case Studies

Action for Blind People



Charitable purpose

Action for Blind People is a national charity working to improve the lives of visually impaired people through employment, housing, information and leisure services.

Irrecoverable VAT

£820,000

Potential use

£820,000 would allow the charity to hire sixty members of staff for a year to help a visually impaired person find a job.

£820,000 would fund 70 sports clubs for visually impaired children.

Case study

As part of its leisure services, the charity has four hotels offering holiday breaks to blind and visually impaired people and those accompanying them. In 2003, an extension was built on Windermere Manor Hotel where there was a high demand but limited space. Ten new bedrooms, a new conservatory and an extension of the public rooms were added on to the hotel.

The cost totalled approximately £575,000. Since Customs deemed it as business purpose, a VAT of approximately £100,000 was incurred. Customs' insistence that food and beverages supplied to all guests and accommodation to sighted guests be taxable meant that the charity have been able to recover 47%. Had these supplies been wholly exempt, the VAT recovery would have been negligible.

The extension has been warmly welcomed by guests at the hotel and occupancy rates are near capacity. The charity recently had the pleasure of welcoming its patron HRH Princess Alexandra to the official opening.

Website

<http://www.afbp.org/>

Cancer Research UK



Charitable purpose

The world's leading charity dedicated to research on the causes, treatment and prevention of cancer. It supports the work of three thousand scientists, doctors and nurses working across the country.

Irrecoverable VAT

£3.95 million

Potential use

£3.5 million would cover the entire cost of running 8 laboratories (equivalent to 64 scientists) at the charity's London Research Institute for a year. Scientists at the institute are conducting intricate laboratory studies to discover exactly how and why cancer develops. This knowledge is essential for developing new ways of preventing, diagnosing and treating cancer.

£3.5 million would help cover the charity's contribution to the work of the UK Children's Cancer Study Group for three years. This unique organisation co-ordinates the care of virtually all children diagnosed with cancer in the UK, and the charity is its major resource. Survival rates for childhood cancer have been improving steadily since the 1960s, and have increased from 65% to 75% in the last 10 years alone.

£3.5 million would cover the salaries of all the Cancer Research UK-funded staff at the Centre for Cancer Therapeutics for 18 months. Scientists at the centre are using the findings of laboratory studies to develop innovative new treatments for cancer. They have an impressive track record, putting at least one new drug into clinical trials every year.

Website

<http://www.cancerresearchuk.org/>

Christian Aid



Charitable purpose

Christian Aid is an agency of the churches in the UK and Ireland. The charity works wherever the need is greatest – irrespective of religion or race.

Irrecoverable VAT

£1.3 million (approximately)

Potential use

£1.3 million would fund 162,500 goats in Uganda.

£1.3 million would fund 7,027 pairs of Oxen for returnee families in Angola to plough their land, increasing the area they farm and enabling them to pass on any calves to other families.

£1.3 million would fund 13 million kilos of maize seeds which will produce 520 million kilos of maize.

£1.3 million would fund 32,500 bicycles in Zambia for volunteer care givers to visit HIV/AIDS patients living in remote areas.

£1.3 million would pay for 915 teachers in Angola to give literacy lessons for a year.

£1.3 million would equip 1,300 pharmacies in Burkina Faso to allow villagers access to vital medicines in areas where there is no health care.

Website

<http://www.christian-aid.org.uk/>

Disabilities Trust



Charitable purpose

The Disabilities Trust was founded in 1979 to provide an imaginative new concept of personal care and specialist housing for people with special needs. Since then the services have expanded to include purpose-built accommodation, community-based housing, respite care, education, community enabling and rehabilitation.

The services are divided into four divisions to meet the needs of:

- people with autism
- people with acquired brain injury
- people with profound physical disability
- people with a learning disability

Irrecoverable VAT

£30,000 (specific to one example only)

Case study

A new brain injury rehabilitation unit in Ely, Cambridgeshire has been built and the current estimate of the irrecoverable VAT for this project alone is £30,000. The Trust has plans for a further unit near Horsham, Sussex and plans to develop additional similar services in Scotland and Wales.

Website

<http://www.disabilities-trust.org.uk/>

The Home Farm Trust



Charitable purpose

The Home Farm Trust provides a service for over 900 people in supported living, registered care homes, advocacy, supported employment and day services. The charity provides support for thousands of carers of people with learning disabilities.

Irrecoverable VAT

£700,000

Potential use

£700,000 would help generate increased capacity to accommodate more service users. Demand outstrips supply in the sector, but capital is needed to create more capacity. £700,000 per annum could be used to create extra capacity of between 10 and 20 service users.

£700,000 would employ 35 extra staff to support our service users, and thereby improve the quality of support provided.

£700,000 would help improve the pay and benefits of our existing workforce by 3%. This would be a very significant step in a relatively low paid employment sector and would help to reduce other costs such as agency and recruitment, as well as provide a better continuity of support to service users.

£700,000 would fund research projects into future and emerging patterns of care, to ensure the charity continues to provide the best quality of support to its service users.

Website

<http://www.hft.org.uk/>

Marie Curie Cancer Care



Charitable purpose

Marie Curie care for 50% of all cancer patients who die at home. The charity works through the night or through the day to provide care for patients in the comfortable and familiar surroundings of their own home. With ten hospices in the UK, they provide the largest number of hospices outside the NHS.

Irrecoverable VAT

£1.3 million

Potential use

£1.3 million would fund 1,500 more patients to be cared for at home.

Case study

Investment in IT and buildings is a main contributor to the amount the charity pays in irrecoverable VAT, so it effectively acts as a penalty on decisions to invest in improving infrastructure and facilities. To ensure patients requiring care throughout the country are matched to available nurses, requires a modern call centre and patient booking system, yet both the costs of the telephone calls with District Nurses and patients and maintaining the booking system come with a VAT cost attached.

Claire Newton, Finance Director at the charity, said:

“The VAT regime for charities is particularly frustrating because it skews so many of our decisions. There is no VAT payable on staff yet there is on outsourced or shared services provided by another organisation and the use of temporary staff for short term projects. So we cannot outsource activities without paying a 17.5% premium on the cost to any non-charitable organisation. Building a major extension or carrying out a major refurbishment costs us 17.5% more than the NHS. Only by knocking our existing building down – and finding temporary facilities for three years – could we build a brand new building without the 17.5% premium.”

Website

<http://www.mariecurie.org.uk/>

Marwell Park



Charitable purpose

Marwell Zoological Park is owned and operated by the Marwell Preservation Trust. The mission of this registered charity is “to contribute to the conservation of biological diversity through the presentation and breeding of threatened species, the conservation and management of wild species in their natural habitat, and by inspiring improved understanding, awareness and care of wildlife and the environment”.

Irrecoverable VAT

£144,602

Potential use

The charity is currently losing money from its existing catering facilities. Building a new restaurant would reduce these losses.

Funding purified water treatments, as the used water is unable to go back into domestic waste immediately.

Website

<http://www.marwell.org.uk/>

Royal National Lifeboat Institution (RNLI)



Charitable purpose

The RNLI provides a 24 hour lifeboat search and rescue service to 100 miles out from the coast of the United Kingdom and the Republic of Ireland. Over 230 lifeboat stations are home to over 350 operational lifeboats, strategically placed around the UK and Ireland.

Ten years ago the charity began a programme of safety education and accident prevention, and in 2002 launched a permanent Beach Lifeguards service, now operating on 59 beaches in the south of England from Dorset to North Cornwall.

Irrecoverable VAT

£3.9 million

Potential use

£3.9 million would pay for two new all weather lifeboats.

Case study

To put the figure above into context, for every £1 donated to saving lives at sea, 3p goes to the Government, even though the Government has an obligation to provide this search and rescue service. This is despite the fact construction of lifeboats and lifeboat stations are zero-rated for VAT purposes.

Darren Spivey, the RNLI's Financial Controller, said:

“The current situation is a minefield. We are in the ludicrous position that the construction of a lifeboat is zero-rated, yet training the crew to operate that lifeboat is not. The construction of a lifeboat station is zero-rated, yet repairing and maintaining that station is not. This complexity only adds to our administrative costs. In the last two years alone the RNLI has been visited six times by HM Customs and Excise in their efforts to ensure we pay every penny due under the current system.”

Website

<http://www.rnli.org.uk/>



Charitable purpose

Save the Children provides emergency relief runs alongside long-term development and prevention work to help children, their families and communities to be self-sufficient. The charity learns from the reality of children's lives and campaigns for solutions to the problems they face. It gains expertise through projects in the UK and around the world and uses that knowledge to educate and advise others.

Irrecoverable VAT

£900,000

Potential use

£900,000 would cover the cost of a programme to improve access and quality of education for pastoralist children in Ethiopia for a year.

£900,000 would pay for 9,000 yaks in Tibet, each of which could help support a rural primary school.

£900,000 would pay the annual costs for over 3,000 former child soldiers in Columbia, to attend a centre that helps them reintegrate into society.

Case study

Mike Aaronson, the Director General of Save the Children UK, said:

“In VAT terms, Save the Children is treated as the ‘final consumer’ and a portion of the VAT is therefore irrecoverable. In reality vulnerable children are the stakeholders and it seems unfair that the money we spend working with them is first taxed.”

Website

<http://www.savethechildren.org.uk/>

Scope



Charitable purpose

Scope is a disability organisation in England and Wales whose focus is people with cerebral palsy. The charity's aim is that disabled people achieve equality; a society in which they are as valued and have the same human and civil rights as everyone else.

Irrecoverable VAT

£1.2 million

Potential use

£1.2 million would enable the purchase and renovation of two bungalows in Nottingham to provide accommodation for several pupils attending the charity's Rutland House School.

£1.2 million would pay for the employment of fifteen community field officers (social workers) who provide FREE advice and help to disabled people in the community thus easing the strain for local authorities.

£1.2 million would pay for extensive and much needed renovation to the charity's Meldreth Manor School. The renovation is currently on hold because the charity simply cannot afford to do it.

Website

<http://www.scope.org.uk/>

Sense



Charitable purpose

Sense has a worldwide reputation for its expertise in working with deafblind people. The charity also works with people with single sensory impairments and a wide range of other difficulties – including physical disabilities, and challenging behaviour.

Irrecoverable VAT

£608,684

Potential use

£608,684 would pay for 400 deafblind people to have a summer holiday with round-the-clock support.

£608,684 would provide direct support to 700 families with deafblind children by, for example, carrying out assessments and teaching communication methods.

£608,684 would allow the distribution of information to 9,000 deafblind people, family members and professionals through the charity's national information service.

Website

<http://www.sense.org.uk/>

The Stroke Association



Charitable purpose

The Stroke Association is the only national charity solely concerned with combating strokes in people of all ages. It funds research into prevention, treatment and better methods of rehabilitation, and helps stroke patients and their families directly through its community services. These include dysphasia support, family support, information services and welfare grants. We also campaign, educate and inform to increase knowledge of stroke at all levels of society and we act as a voice for everyone affected by stroke.

Irrecoverable VAT

£305,000

Potential use

£305,000 would fund 10 family support centres.

£305,000 would fund 10 education training officers.

£305,000 would fund 10 dysphasia centres.

Website

<http://www.stroke.org.uk/>

Sue Ryder Care



Charitable purpose

Sue Ryder Care supports people with a wide range of neurological diseases and life-limiting illnesses, as well as their families, carers and friends both in this country and abroad. The charity works in the community, for the community, with the community. Its services are geared to fill key gaps that exist in the health service, with each Sue Ryder Care centre specialising in the care most needed by their local community. The services provided range from long-term and respite residential care to day care centres and home care.

Irrecoverable VAT

£566,673

Potential use

£566,673 would help provide round-the-clock care for 10 people with severe long-term neurological conditions for a year and supply 5 additional beds with round-the-clock associated care services in one of the charity's specialist palliative care units.

Case study

Ian Henderson, the Chief executive of Sue Ryder Care, said:

“The current care economy is based on partnership working, with the voluntary care sector encouraged by Government to play an ever increasing role, particularly in areas where statutory services have neither the skills nor the capacity to operate. Sue Ryder Care is striving to play its full role in the future healthcare of the nation, and I feel it is imperative that there is a ‘level playing field’ with regard to this issue.”

Website

<http://www.suerydercare.org/>