

Tax matters

By incorporating your charity you are changing the legal form of your charity which has a number of consequences. The old charity will be deregistered and a new one established. Tax registrations and reliefs will not be transferred and new ones need to be arranged. It is essential that these are arranged in advance of the transfer of business from the old to the new charity.

This factsheet covers basic information around matters charity trustees may need to consider in advance of an incorporation.

The principal tax considerations



Relief from income and capital gains tax is not automatic and an application needs to be submitted by the new SCIO. New registrations will be required for employment taxes, VAT and Gift Aid where relevant.

IMPORTANT – VAT

This also affects charities not registered for VAT

For VAT purposes, any transfer of a business, this includes charities which are incorporating, needs to be treated as a “transfer of a business as a going concern” (TOGC) to avoid a VAT charge on the “disposal” of the assets. There are several conditions which need to be met to be considered a TOGC; most should be straightforward to meet – but they need to be met.

If your charity is not VAT registered, but has assets with a total potential disposal value greater than the VAT registration threshold, where the transfer is not a TOGC, it could trigger an obligation to register for VAT and for the disposal to be subject to VAT.

IMPORTANT – Land & Buildings Transaction Tax

If your charity owns land and/or property, the transfer during the incorporation process comes within the scope of Land and Buildings Transaction Tax (LBTT). It is the acquiring (the new) charity that is responsible for notification of the transaction to the authorities within 30 days of the transfer and for any tax due.

Charities acquiring land and property are able to obtain relief subject to conditions, principally around continuity of charitable usage or application of surpluses, being met – BUT, the relief must be applied for. Certain changes in use in the three years following transfer could result in the relief being withdrawn.

If you are in any doubt or have concerns about these matters please seek advice.

T: 0131-258 6925
E: mail@cgpm-consulting.co.uk