



Response to the Charity Tax Commission's call for evidence on the effectiveness of the charity tax system

Association of Charitable Foundations (ACF)

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About ACF

The Association of Charitable Foundations (ACF) is pleased to contribute to the Charity Tax Commission. ACF is the membership body for UK foundations and grant-making charities, established in 1989. Driven by a belief that foundations are a vital source for social good, our mission is to support them to be ambitious and effective in the way that they use their resources. We do this through the provision of policy and advocacy, research and information, and a wide-ranging programme of events and learning. Our 350 members collectively hold assets of around £50bn and give more than £2.5bn each year.

Our response

Charitable trusts and foundations, as charities in their own right, are subject to the same laws, standards of regulation and tax reliefs as other charities. They have always been, and will continue to be, at the heart of civil society. They are ideally placed to take a long term view and respond creatively to change and emergent need, preserving social good when it is under threat and catalysing it where it is absent.

The most direct way that foundations support charities is through grant funding. Many foundations also offer support that is non-monetary, such as training, consultancy, support aimed at developing skills of grantees, convening, networking or brokerage. [‘Intentional investing’](#) of endowments is also increasingly a core part of how a foundation achieves its mission. The specific tax reliefs mentioned in the consultation, including but not limited to VAT, capital gains tax and business rates relief, all serve to support foundations in delivering their charitable objectives as well as their distinct collective impact.

Charities exist to pursue and produce social good as their primary objective. It is a social good per se that the ecosystem producing social good is non-hegemonic, thriving, vibrant and diverse. In that regard, charitable tax relief can be most usefully conceptualised as a subsidy relating to the extent to

which a society values and preserves pluralism, both in terms of perspective and of production. To that end, ACF believes that charity tax relief should remain inextricably coupled to charitable status (and the regulatory and legal duties that follow), and should not be assigned in line with specific government priorities or in an attempt to instrumentalise or incentivise a particular type of charitable mission.

Preserving and supporting this pluralism is what enables charities, including foundations, to do what they do best. They care deeply about the people, places and initiatives they support and are often experts in the place in which they work: Responsive to local needs, conscious of its history, and attuned to its culture. They are embedded within networks, operate across sectors, seek to reach beyond silos, and connect people rarely listened to with those in positions of power. They often engage in advocacy and campaigning, usually to support unpopular causes and those who are most marginalised. Charities take pride in their independence – separate from the state, from party politics, and from a drive for profit.

Grant-making by the top 300 independent charitable trusts and foundations reached a record high again last year for the second year in a row, a robust growth of 12% and a total of £2.9bn (see [Giving Trends 2017](#)). There has now been real growth in grant-making for the last three years, which has added an additional £560 million to the sector over the period. In the absence of data to the contrary, or relating to the impact of another tax regime, it seems reasonable to conclude that current arrangements are facilitating robust and healthy growth in grant-making. Charity tax reliefs enable foundations to maximise their giving. Erosion or removal of tax relief for charitable foundations would result in reduced grant-making for social good.

ACF looks forward to contributing to the Commission's work beyond this consultation period, and we are pleased that our CEO is a member of the reference group to the Commission. We would be happy to support the Commission to convene a group of ACF members for a session to explore issues relating to specific reliefs from a foundation perspective.

To discuss this submission please contact Max Rutherford (Head of Policy) max@acf.org.uk