



TRADING

Introduction

Local churches of the United Reformed Church enjoy charitable status and therefore may only conduct activities falling within the charitable purposes of the Church. Some activities which a church might wish to engage in fall outside these purposes and amount to 'trading'. The consequences for a church engaging in 'trading' activities are potentially serious. For example, charitable status could be endangered, there could be serious taxation consequences and invalidation of insurance cover. Churches which run book stalls, gift shops, coffee shops etc. as a source of income should carefully consider the implications. What follows is an outline guide to the legislation. Any doubts about the affect of this aspect of the law on a local church should be discussed, in the first instance, with the appropriate Synod officer.

Exemptions

Unlike VAT liability (>481), the question of income tax liability doesn't arise primarily from consideration of the value of sales but from the nature of sales. The following are not deemed to constitute 'trading':

- income from investments and from letting property;
- income, including profits, arising from the sale of donated goods;
- income, including profits, arising from the sale of goods and services which are exclusively in the pursuit of the charity's purpose, with the sale proceeds being applied solely to that purpose. Thus, for example, profits from the sale of religious books are exempt from tax whereas those arising from the sale of general greetings cards are not. If the greetings card contains a religious message, then it would be exempt;
- occasional jumble sales, bazaars etc. which do not compete with other traders and any profits from which are applied to the charitable purposes of the Church.

If any activity does not fall within the exemptions listed above, a tax liability, and the other implications of 'trading' referred to in the introduction are likely to arise.

Charity Law

Regular and substantial trading activities used as a means of generating income or raising funds is contrary to the rules of the Charity Commission.

More Information

- 'Charities and Trading' – pamphlet CC35 (April 2000 or later) available from the Charity Commission
- 'Trading by Charities' – pamphlet CS2 (September 1998 or later) available from the Inland Revenue Financial Intermediaries and Claims Office