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Was the charity tax fiasco another Clegg clanger? by Becky

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In the relentless drive to bring the UKâ€™s public finances under control, even charities have not been able to escape the attention of the Chancellorâ€™s bean counters. Some 44 % of charitable institutions were already dipping into their reserves, an ultimately unsustainable course of action, as the result of the economic slowdown and reduction in government contributions. Then, like a bolt out of the blue, came the announcement that tax relief on charitable living was to be limited to prevent abuse by multimillionaire philanthropists.

This absurd idea which flies directly in the face of the Big Society and philanthropy agenda was apparently hatched by top Liberal Democrats to give Nick Clegg something to announce at his partyâ€™s Spring Conference. The move was inspired by the revelation in the US that the wealthy Republican nomination candidate, Mitt Romney, only paid a notional 15 % tax on his substantial income as the result of using tax reliefs linked to charitable giving.

It is believed Messrs Cameron and Osborne hastily accepted this latest policy initiative because they had already vetoed the Lib Demsâ€™ Mansion Tax proposal in order to help Boris Johnsonâ€™s re-election chances this May and because they were busy preparing for their state visit to Washington.

Now, in the face of massive criticism from both charities and

philanthropists alike, it seems that David Cameron is going to have to rein back on this latest Liberal Democrat wheeze even though he is bound to attract the usual U-Turn accusations from the Labour opposition.

This would not, of course, solve all the financial problems currently besetting the nationâ€™s not-for-profit organisations but it should stop them getting any worse. In the meantime, Londonâ€™s leading firm of charity accountants report that they are having to come up with ever more innovative ways for charities to maximise their income such as Social Impact Bonds.

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If you want to find out more about the financial implications of these proposed changes, then why not consult with A HREFhttp://www.bakertilly.co.uk/sectors/not-for-profit/charities-and-social-enterprises.aspx>Charity Accountants./A>

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