

Charity Newsletter – Spring 2010

Issue 16



**ROBINSON
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ACCOUNTANTS
and
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Welcome to our latest newsletter, which contains the usual selection of information concerning the charity sector.

We also announce details of our charity seminar, which is to be held on 27 April 2010 at the Penventon Hotel, Redruth. Invites will shortly be issued to all those on our mailing list and we hope you will be able to attend.

Graham Boulton
Charity Partner

Companies Act 2006

For those charities registered as limited companies there are some changes that will have affected you from 1 October 2009 as follows:

1. Companies House forms have changed from 1 October 2009 to reflect the new Act.
2. Protected Online filing (PROOF) is now recommended in order to minimise the risk of fraudulent filing of documents. PROOF customers agree to file certain forms online.
3. Directors no longer need to publish their residential addresses on the annual return, instead a service address, such as the registered office can be used.
4. Any changes to the articles of association need to be notified to Companies House within 15 days of the change or a £200 penalty will be charged.

The end of cheques?

Many charities have voiced concern at the recent announcement by the Payments Council, confirming the phasing out of cheques by 2018.

Most charities continue to make payments by cheque rather than more modern payment methods as it provides a level of control on expenditure because many cheques require two signatures.

Many charities also continue to receive significant donations in the form of cheques in the post, and the phasing out causes concern that there are no other suitable ways in which people can give to charity, in particular the elderly.

The Payments Council is looking into acceptable alternatives.

Music royalties

The government is planning to alter the system for licensing the playing of music to the public. The previous system involved paying fees to two different organisations, one of which charities were exempt from. Now one fee will become payable, meaning that potentially there will be no exemption for charities. It has been indicated that limited exemptions may be available for certain charities.

Public benefit assessment

The Charity Commission recently announced that it intends to look at fee charging arts charities in the next round of public benefit assessments. Four charities have been chosen for the initial assessment and the results of their findings will be announced when the reports have been completed.

Later in the year the focus will be on health related charities.

HM Revenue & Customs have confirmed that those charities deemed not to be meeting the public benefit test will not immediately lose their tax reliefs. This is provided changes are being made to ensure compliance.

Exempt charities

The date when exempt charities need to start registering with the Charity Commission has been put back to 1 June 2010. The previous date was 1 April 2010.

The list of exempt charities includes industrial and provident societies, friendly societies, universities and further education colleges and grant maintained

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schools as well as large national museums and galleries.

Business rates exemption

Registered charities or trustees of a charity are entitled to relief from rates on any non-domestic property that is wholly or mainly used for charitable purposes.

The mandatory relief of 80% can be increased to 100% at the discretion of the billing authority. Cornwall Council has the discretion to award 100% relief to non-profit making organisations.

Tax News

Substantial donor rules

The government is proposing to alter the unpopular 'substantial donor' legislation with new rules. These will not allow tax relief to donors to charities where the donor is party to an arrangement, which leads to the donor extracting any value from a charity. See also 'The Budget' section below.

Online VAT returns

The submission of online VAT returns becomes compulsory for all businesses whose business supplies (taxable and exempt) exceed £100,000 per annum from 1 April 2010. No decision has yet been made for those businesses that do not have this level of income.

Online filing of corporation tax returns

Corporation tax returns will need to be filed online from April 2011. Although most charities are not required to complete CT600 forms regularly, some need to do so at HM Revenue & Customs request.

Pensions 2012

Many charities may be unaware of the changes coming into force in 2012 concerning pensions. From 2012 all employers will need to enrol qualifying employees aged between 22 and pension age automatically into a pension 'arrangement'.

This is expected to commence on a phased basis from 2012, with larger employers complying first, over a three-year period.

We will be providing further information, including the potential costs for employers at our next seminar, details of which can be found on page three.

Pre budget report

The pre budget report in December announced the government's intention to commit £75m to a new 'social investment wholesale bank'. This money will come from dormant bank accounts in England.

Funds will be supplied to existing finance organisations, which would in turn provide finance packages to third sector entities, including those that find it difficult to obtain mainstream funding.

European VAT ruling

A recent European VAT case relating to businesses that acquire assets for non-business use will mean organisation's face a worsening VAT regime.

HMRC has issued new guidance on the well-known 'Lennartz rule' which allows a business to recover all VAT on a new capital asset that has a partial business use, and then repay the non business proportion later, resulting in a cash flow benefit.

HMRC has said that the 'Lennartz rule' does not apply to organisations that use a building predominantly for their primary purpose, even if that purpose is not a business one. This is likely to mean many charities having to pay more VAT when they acquire or construct new buildings.

Gift aid reform

The treasury is developing a timetable for gift aid reform. Sector umbrella bodies and officials have until 30 September to finalise proposals. There is a general consensus that gift aid needs simplification.

Gift aid on donations

The time limit for charities to claim gift aid on donations will shortly be reduced to four years (from six).

The application for gift aid claims for the year to 5 April 2007 will therefore need to be submitted by 5 April 2011.

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The Budget 2010

The final budget ahead of the general election was presented on 24 March 2010.

There was some good news for the sector, however it was disappointing that no announcement was made in respect of simplifying gift aid or revising the substantial donor legislation.

In respect of gift aid a working party report is due to be completed in September (see also page 2). Unfortunately there was no mention of whether gift aid transitional relief will be extended after April 2011.

The main features of the budget to affect charities are as follows:

Donations to overseas charities

Legislation will be introduced in the Finance Bill to extend UK charitable tax reliefs to organisations that are the equivalent to UK charities and community amateur sports clubs in the EU, Norway and Iceland.

UK donors will be able to receive the same tax reliefs in respect of donations and legacies that they currently have for donations to UK charities.

Bank investment in deprived communities

It was announced in the budget that a scheme would be introduced to encourage banks to invest in deprived communities. This should assist social enterprises that cannot access mainstream commercial loans.

Bank accounts

For charities working with those in poverty, the news that measures will be put into place to ensure that all UK citizens have access to a basic bank account will be welcomed. Hopefully more people will be included within the financial services system as a result of this.

Charities sharing services

The chancellor has pledged to consider implementing a VAT exemption for charities that share services. Charities that share services have to charge VAT when charging these costs to other charities, while in the EU there is a cost sharing exemption in place. With many charities looking at collaborative working in order to reduce costs this pledge is welcomed.

National Insurance and VAT

Many charities will be relieved that VAT has not been increased above 17½ %, and also that national insurance will not increase other than by the one percentage point already announced from April 2011.

Charity law consolidation

The Office of the Third Sector published a draft bill for consultation in September 2009 which combined most of the elements of the Charities Acts 2006 and 1993 and the Recreational Charities Act 1958. It has now been confirmed that this plan has been put on hold until a new Parliament has been elected.

ADVANCE ANNOUNCEMENT – CHARITY SEMINAR

This year we will be holding our charity seminar at the Penventon Park Hotel, Redruth on 27 April 2010.

Our guest speakers will be George Winters from London based Seven Investment Management and Shivaji Shiva, associate at Michelmores Solicitors based in Exeter.

As well as the above the Robinson Reed Layton team will be presenting on a wide range of tax, accounting and governance issues currently affecting charities and not for profit organisations. Full details will be issued shortly.

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