

# Charity Newsletter – Spring 2011

## Issue 18



ROBINSON  
— REED —  
LAYTON  
—  
CHARTERED  
ACCOUNTANTS  
— and —  
CHARTERED  
TAX ADVISERS

Further information has been released confirming how some of the £470m of funding previously announced in the Comprehensive Spending Review is to be distributed.

The next financial year is certain to be a difficult one for many charities with a significant number now streamlining the service they provide in response to reductions in funding from April 2011.

The Chancellor of the Exchequer made his budget speech on 23 March 2011. The main issues affecting the charity sector are included in this newsletter.

**Mark Williams**  
*Charity Manager*

## Public benefit update

A consultation has opened on charities set up for the ‘advancement of amateur sport’. The advancement of amateur sports that promote health by involving physical or mental skill or exertions became a charitable aim following the introduction of the Charities Act 2006.

The public benefit assessments for four charities have been published and the Charity Commission concluded that three of these operate for the public benefit.

The fourth charity did not meet the requirement because it did not provide those people who could not afford the membership fees with an opportunity to benefit from the facilities in place. This charity now has three months to consider the Charity Commission findings and put a plan in place to meet the public benefit requirement.

## Funding

### *Transition Fund*

The first payments from the £100m Transition Fund, which was set up to aid charities who have suffered as a result of the recent public spending cuts, have been made totalling £1.7m.

The level of demand for assistance from this fund has not been as high as first predicted according to Nick Hurd, the Minister for Civil Society.

Despite this, an announcement has been made confirming that the Transition Fund will receive additional funding of £7m.

### *Comprehensive spending review update*

The Giving Green Paper has been published detailing how more of the £470m of funding in the government’s spending review in 2010 will be distributed. Fund details announced include:

- **Community First Fund (£80m)** – this will distribute match funding for local endowments and grants for community groups in deprived areas. This is similar to the old Grassroots Grants scheme. Hopefully Cornwall will be included within the list of deprived areas.
- **Volunteering Fund (£10m)** – this will finance projects that can also raise funding from the commercial sector and individuals. The money will be for projects that further volunteering.
- **Volunteering infrastructure fund (£42.5m)** – this funding is available to support those who manage volunteers.

### *Heritage Lottery Fund (HLF)*

It has been announced that HLF will receive an increase in funding of £50m per year from 2013 to 2019 while the Big Lottery Fund’s share of funding will reduce during the same period.

## Accounting update

### *New accounting guidance*

The Accounting Standard Board (ASB) recently announced its plans for the UK accounting framework and will also launch a consultation on its proposals for a Public Benefit Entities Standard.

The aim is for this standard to summarise what is different in accounting for public benefit entities. It

# Robinson Reed Layton

will be based on International Financial Reporting Standards, which have not yet been adopted in the UK, other than for listed companies. An exposure draft has been issued for consultation (FRED 45).

The Charity Statement of Recommended Practice (SORP), which was last updated in 2005, will be retained, and the Charity SORP committee is already working on a revised edition which will be issued for consultation soon after the new Public Benefit Entities Standard is available.

The new accounting standard and SORP should be implemented for periods starting on or after 1 July 2013.

## Tax and VAT update

### *New gift aid form*

HM Revenue & Customs (HMRC) has announced that it is working on 'intelligent forms' for gift aid that can be checked for mistakes prior to submission. The forms will have coding built in to verify the figures. Forms would still need to be printed and posted to HMRC.

### *iXBRL*

HMRC have confirmed that charities classed as small (income less than £6.5m) can file their tax returns and computations in iXBRL and attach their accounts in PDF as a short term measure. Charity trading subsidiaries will need to submit all three documents in iXBRL format.

### *Substantial donors update*

Legislation will come into force from 1 April 2011 whereby charities will no longer have their tax relief withdrawn when entering into commercial transactions with a 'substantial donor'.

A substantial donor was defined as a donor who had made tax relievable gifts to charity of more than £25,000 in a 12 month period or £150,000 in a six year period. The new rules will be wider in one respect with the rules applying to all donors.

### *Jointly employed staff*

A recent VAT tribunal case has questioned the use of joint contracts of employment. This is standard practice where staff are used by and under the control of different connected companies.

However where there is a supply of services as opposed to a supply of staff, HMRC may challenge such a situation where a VAT cost is avoided.

## Other news

### *Abolition of cheques*

The Payments Council has confirmed that the planned phasing out of cheques from 2018 will not go ahead unless satisfactory alternatives are available by 2016.

### *Charitable Incorporated Organisation (CIO)*

The CIO should be introduced in the next few months. We will provide an update in our next newsletter, however anyone wanting additional information will be able to find this at the Charity Commission website. This new form of organisation has been eagerly awaited ever since the Charities Act 2006 came into force.

### *Charity Commission funding cuts*

Following the cut in Charity Commission funding announced during the government spending review last year, a report has now been published outlining the regulator's future direction. It had been previously announced that the budget for the Charity Commission would drop from £29.3m in 2010/11 to £21.3m in 2014/15.

The Charity Commission will continue to carry out investigative work where there is suspected mismanagement or abuse. It is likely that one to one advice will reduce in time, which will be disappointing for smaller charities who cannot always afford professional advice. Also less time will be available to assist organisations with their charity applications where they are initially rejected.

Priorities will be to continue to register new charities, publish information via the Charity Commission website, provide guidance and deal with serious mismanagement and abuse. The restructuring is due to be completed by 1 October and is likely to involve 140 redundancies.

## Sage Accounts

Charities using Sage Accounts software may be able to increase the ease by which information is transferred into Excel.

Enabling the Integrated Reporting feature allows easy extraction of information into Excel. This can then be used to populate existing spreadsheets with figures

# Robinson Reed Layton

automatically rather than typing in the figures from Sage, thereby saving considerable time.

Spreadsheets can also be created that automatically link into Sage at the press of a button using the "ODBC" link. Coupled with complex Excel formulae it can become very simple to extract the information to use in a variety of management reports and also for use in preparing your year end accounts before submission to the accountant or auditor.

Additionally you can send some information to Excel or Word simply by pressing the Office Integration button on the File menu. This can be especially useful for producing mail merge lists.

If you would like any further information on linking Sage to Excel or Word, please telephone James Knight or email [sage.team@rrl-truro.co.uk](mailto:sage.team@rrl-truro.co.uk).

## The 2011 Budget

The Chancellor made his budget speech on Wednesday 23 March 2011. The main issues that will affect the charity sector are as follows:

### *Gift Aid*

Many had been hoping that the gift aid transitional relief period would be extended beyond 5 April 2011 but unfortunately this has not happened, but there are other benefits.

### *- Donor benefit limits*

Legislation will be introduced in the 2011 Finance Bill to increase (from £500 to £2,500) the maximum value of benefits that individuals and companies may receive when making donations of over £10,000 under Gift Aid. The new limit will still be subject to the existing rule whereby the benefit must not exceed 5% of the gift.

### *- Records for small donations*

Charities and Community Amateur Sports Clubs receiving small donations of £10 or less will be able to apply for a gift aid style repayment without the need to obtain gift aid declarations for the said donations up to a value of £5,000.

Charities will however need to have a proven track record. They will need to have been recognised by HMRC for gift aid purposes for at least three years, operated this successfully and have an acceptable compliance record. Representatives from the charity sector will be consulted later in the year.

### *- Online filing*

From 2012/2013 it will be possible to register for gift aid and file gift aid claims online, which again is a step forward for the charity sector.

There will be some trialling of the "intelligent forms" mentioned earlier with self-contained automatic checks prior to moving fully online.

### *Inheritance tax*

A lower rate of inheritance tax will apply where at least 10% of a deceased's estate (after deducting exemptions, reliefs and the nil rate band) is given to charity.

The current 40% rate of inheritance tax will therefore reduce to 36%. This will apply for deaths after 6 April 2012.

The relief is designed so that the benefit of the tax saving is reflected in the legacies received by charities and not in payments to other beneficiaries. It is hoped that this will raise significant additional funds for the charity sector.

### *VAT cost sharing exemption*

The Government will continue to consult on the possibility of a VAT exemption for charities sharing services.

This has been discussed over the past few years, and is even more relevant in the current economic climate given that many charities are seeking to cut costs by working closely with other organisations.

### *SA Donate*

This scheme, whereby taxpayers due refunds can elect for HMRC to give to a charity of the taxpayers choice, will be scrapped from the tax year 2011/12.

### *Mileage rate claims*

Mileage rate claims can be extended to volunteers travelling as passengers in cars. This relief allows people to claim a fixed amount per passenger per business mile.

In recent years the charity sector has not been at the forefront of the Budget. However, the above announcements along with other general measures, such as the cut in fuel duty, are encouraging for a sector coming to terms with the recently announced spending cuts.

# Robinson Reed Layton

## Round up

- The Charity Commission has recently published a guide to the Equality Act for charities.
- It has also published CC14 Charities and investment matters.
- A recent survey by market analyst the WM Company indicates that charity investments increased in value by 13.4% in 2010.
- A new Charities Bill has been put before parliament. This will consolidate the Recreational Charities Act 1958, the Charities Act 1993 and the Charities Act 2006 (with the exception of Part 3 relating to public charitable collections).

## Charity contacts

Telephone: 01872 276116

<u>Name</u>		<u>E-mail</u>
Graham Boulton	<i>Partner</i>	<a href="mailto:graham.boulton@rrl-truro.co.uk">graham.boulton@rrl-truro.co.uk</a>
Mark Williams	<i>Manager</i>	<a href="mailto:mark.williams@rrl-truro.co.uk">mark.williams@rrl-truro.co.uk</a>
Tracy Lewis	<i>Audit Senior</i>	<a href="mailto:tracy.lewis@rrl-truro.co.uk">tracy.lewis@rrl-truro.co.uk</a>
Simon Reed	<i>Audit Senior</i>	<a href="mailto:simon.reed@rrl-truro.co.uk">simon.reed@rrl-truro.co.uk</a>
Graham Ratcliffe	<i>Senior</i>	<a href="mailto:graham.ratcliffe@rrl-truro.co.uk">graham.ratcliffe@rrl-truro.co.uk</a>
Richard Robinson	<i>Consultant</i>	<a href="mailto:richard.robinson@rrl-truro.co.uk">richard.robinson@rrl-truro.co.uk</a>



ROBINSON  
— REED —  
LAYTON

CHARTERED  
ACCOUNTANTS  
and  
CHARTERED  
TAX ADVISERS

---

*If you do not have internet access but would like a copy of any documents referred to in this newsletter please contact one of the charity team*

*Whilst every effort is made to ensure the accuracy of any information herein, this firm cannot accept responsibility for any inaccuracies. Professional advice should be sought before action is taken or refrained from in specific circumstances.*