

# Robinson Reed Layton

## Charity Newsletter – Autumn 2012



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

### Introduction

Welcome to our autumn charity newsletter.

In this edition we summarise the current position concerning the proposed new accounting framework as well as providing an update on other accounting and taxation issues. We also mention the Hodgson review of the Charities Act and various topical issues which we hope will be of interest.

**Mark Williams**  
*Charities Director*

### Accounting

#### Filing of accounts

Many of our charity clients have queried the filing requirements for their accounts.

Companies House require accounts to be filed within 9 months of the year end. They require signatures in black ink and do not allow pictures or diagrams.

The Charity Commission deadline is 10 months after the year end, and the accounts can be submitted online with the Annual Return in PDF form.

The Charity Commission do not require signatures and therefore to avoid any potential identity fraud we recommend that a certified copy of the accounts is filed with the names of the signatories typed into the accounts but without signatures.

Usually charities are not required to submit corporation tax returns however if a return is requested by HM Revenue & Customs (HMRC) then the return along with the accounts needs to be submitted within 12 months of the year end. The return can only be submitted online in accordance with the HMRC's iXBRL filing requirements.

Please bear in mind that filing deadlines for newly registered companies are often determined by the incorporation date where a year end has been extended and therefore may not correspond to the above.

In such cases the filing deadline will be 21 months after the date of incorporation.

#### Charity accounting update

The plans for a separate accounting standard for charities has now been dropped and charities will follow the new accounting standard FRS 102 which will have a specialised activities section for public benefit entities.

A new SORP for charities will also be issued and it is expected that the new accounting framework will be effective from 1 January 2015.

### Taxation and VAT

#### Relief on charity donations

As we mentioned in our Spring newsletter there was considerable concern over the announcement in the 2012 Budget that there would be a cap on the amount of income tax relief that could be claimed by an individual for donations made to charity. The limit was to be £50,000 or 25% of taxable income, whichever was the higher.

Many of our charity clients were concerned that the incentive to give to charity would therefore be reduced, and subsequently donations would fall.

The proposal was scrapped at the end of May following concerns raised by the sector. It will now remain possible for an individual's tax bill to be eliminated through charitable giving.

#### VAT and listed buildings

HMRC have delayed their plans to introduce VAT on alterations to listed buildings by more than 2 years. Alterations will continue to be zero rated until September 2015. After this date there should be some

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scope to recover VAT as the government should provide more funding for the 'listed places of worship' scheme.

### **Gift aid**

#### *Gift aid database*

HMRC has confirmed it will support a universal database of gift aid declarations but is not in a position to operate the system, according to the Charities Aid Foundation. The database will keep a record of donors who have agreed to gift aid all donations to any registered charity. The way in which this will be administered is yet to be agreed.

#### *Gift aid small donations scheme*

The Bill to introduce the above scheme is currently being put through Parliament.

The gift aid small donations scheme will enable charities to claim gift aid payments on small cash donations of £20 to a total of £5,000 without gift aid declarations being in place. This will potentially enable charities to recover additional payments of £1,250.

In order to qualify the charity must have been operating gift aid for at least three years, and made at least three claims in the previous seven tax years.

To complicate matters the gift aid donations must be at least half of the small donations on which the top-up payments are claimed, so if only £100 is claimed in gift aid, the maximum that can be claimed through the gift aid small donations scheme will be £200. It is hoped that the scheme will start in 2013.

As we write there has been criticism of the scheme as many believe it will involve too much admin.

### **VAT and contracts**

There has been a recent VAT case where a charity in receipt of a grant has been asked by HMRC to pay VAT on the grant as it was a contract for services.

Contracts for services are usually standard rated for VAT.

It is important to distinguish between grants and contracts as these have totally different VAT consequences.

As a general rule when a charity applies to an organisation for funding to continue its own project then the grant is likely to be outside the scope for VAT purposes. If the charity is providing a service to an organisation for carrying out their project then a service is being provided and therefore will be subject to VAT.

### **Business rates relief**

Cornwall Council is reviewing the discretionary rates relief provided to charities and other organisations to ensure a consistent approach across the county.

Currently mandatory 80% relief comes from the government and the remaining 20% is provided by Cornwall Council.

The new guidelines will come into place in April 2013.

### **New gift aid forms**

HMRC has issued new forms R68i for gift aid claims and will soon start rejecting old style forms. Further information can be found at <http://www.hmrc.gov.uk/charities/complete-form-r68i.htm>.

There are also some changes to the gift aid declaration forms, details of which can be found on the HMRC website.

## **Charities and trading**

With recent funding cuts many of our charity clients have been considering commencing trading activities in order to generate alternative sources of income.

Before commencing any trading activity it is important to ensure that the activities operate within the charity trading rules to ensure tax exemption or an alternative trading vehicle needs to be set up to operate the activity.

If you would like any further information concerning charities and trading then please contact us.

## **Charitable Incorporated Organisation**

This new incorporated legal form, which avoids the need to register with Companies House as well as the Charity Commission, should be available for charities

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to use shortly. We believe that first registrations will commence early in the new year.

There has been widespread frustration at the delay in bringing this legal form into use, which was first created by the Charities Act 2006.

### Charities and fraud

A recent National Audit Office report has stated that only 0.5% of fraud in the charity sector gets reported to the Charity Commission. The National Fraud Authority estimates that fraud cost charities £1.1bn in 2010/11. Further details can be found in the report “Regulating Charities: A Landscape Review” produced by the National Audit Office.

HMRC has also recently confirmed that it has detected fraudulent gift aid claims of £10m in each of the past two tax years.

### Excepted charities

The deadline for excepted charities with income of less than £100,000 to register with the Charity Commission has been put back from 1 October 2012 to 31 March 2014.

### Charities Act review

Lord Hodgson’s review of the Charities Act 2006 was published in the Summer and some of his recommendations in relation to regulations are as follows:

- Charities that file their accounts late will lose the right to gift aid
- A charge may be introduced for filing annual returns and also setting up charities
- Income threshold for charities to register should rise to £25,000
- Information submitted by charities to the Charity Commission should be in one document.  
The ICAEW has also called for the Summary Information Return (which charities with income over £1m complete for submission to the Charity Commission) to be scrapped as the information contained within it duplicates the information already provided in the trustees annual report
- Tax exemption application should be combined with Charity Commission registration application for new charities

- Audit threshold to be increased from £500k income to £1m
- Charities with income over £1m may pay trustees without seeking permission from the Charity Commission.

Further details can be found at <http://www.cabinetoffice.gov.uk/resource-library/trusted-and-independent-giving-charity-back-charities-review-charities-act-2006>.

### Community Groups fund

A new £16.7m fund has been created to help community groups take over management of land and buildings that benefit the local community.

The Community Ownership and Management of Assets Grant Programme is managed by Social Investment Business. The fund will provide pre-feasibility grants to groups that want to take over important facilities such as local shops.

Further details can be found at <http://www.sibgroup.org.uk/our-funds/communityrights/criteria/>.

Grants are also available from the £10m Investment and Contract Readiness Fund which aims to help charities win public sector contracts. Again this is administered by Social Investment Business and details can be found at <http://www.sibgroup.org.uk/our-funds/beinvestmentready/>.

### Advice fund

The advice services transition fund will provide £65m for charities providing advice services to adapt to funding cuts and will encourage collaboration. The fund will be administered by the Big Lottery Fund and will run for two years starting in 2013/14. Applications need to be submitted by 28 January.

### Pensions

The Pensions Regulator continues to provide guidance on the new rules concerning pensions, which will affect all charities who employ staff.

Pension arrangements will need to be put in place for all staff, employers will need to contribute 3% of salary to the scheme. Even small charities will need to comply by 2017.

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## Round up

- Since our last newsletter the Charity Commission has issued revised guidelines on public benefit full details of which can be found on their website. The revised guidance has been issued to clarify what the public benefit requirement really means and what trustees should be aware of to ensure their charity continues to meet the public benefit requirement. The guidance says that a charity must have a public benefit purpose and will not be judged on the activities it undertakes in determining if it is a charity.
- The Charity Commission has updated its guidance on reporting serious incidents. The guidance has not changed the Commission's main principles and details can be found at [http://www.charity-commission.gov.uk/Our\\_regulatory\\_activity/Reporting\\_issues/rsinotes.aspx](http://www.charity-commission.gov.uk/Our_regulatory_activity/Reporting_issues/rsinotes.aspx).
- The Charities Finance Group had produced a report on the problems many charities face as member of multi-employer pensions schemes. The report can be found at <http://www.cfg.org.uk/resources/Publications/~media/Files/Resources/Briefings/DB%20pensions%20brief%20-%2030%20apr%202012.ashx>.

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*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.*