

Robinson Reed Layton Charity Newsletter – Spring 2013



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

Introduction

Welcome to our first charity newsletter for 2013. This edition looks at the recent Budget and how the announcements are likely to affect charities. We also provide an update on accounting developments as well as other items currently affecting the sector which we hope will be of interest.

If you would like to discuss any of the items in this newsletter please contact one of the charities team listed on page 4.

Mark Williams
Charities Director

Accounting

FRS 102

After several years in the making the new accounting framework is reaching its final stage.

FRS 102 is likely to be published within the next few months and will apply to all organisations including charities.

FRS 100 was published last year and outlined the new financial framework. This will apply for accounting periods commencing 1 January 2015.

Smaller charities will be able to apply the financial reporting standard for smaller entities (FRSSE) if they wish. Other charities will need to use FRS 102.

The charities SORP will still be an important document to sit alongside the accounting standard and this is currently being updated to reflect the changes and a draft is expected for consultation later in 2013.

FRS 102 will tackle some of the specific issues faced by charities, such as the policy for recognising donations and performance related grants.

Taxation

Gift aid for charity shops

From April 2013 new rules will reduce the amount of paperwork required when claiming gift aid on donations made to charity shops.

Donors will be able to sign a single gift aid declaration, in each tax year, which will cover sales proceeds of up to £1,000 assuming the shop activities are operated through a trading subsidiary (£100 if in the charity itself).

Letters will not need to be issued to donors confirming a sale until sales proceeds exceed the above amounts.

Online gift aid filing

Charities Online will be available for charities from 22 April 2013. This should benefit charities as the processing of gift aid claims will be faster.

As a transitional arrangement it will still be possible to use form R68(i) until 30 September 2013.

New i-forms will be introduced that replace the existing claim forms. These forms also require address and post code details of donors to be included.

Longer term it will still be possible to claim using a paper based form however this will need to be obtained direct from HMRC and is likely to be time consuming to complete. It will only be suitable for small charities as there will be a limit of 90 donors per claim.

The switchover to online claims is likely to be fairly complicated and therefore we recommend that charities review the information on the HMRC website as soon as possible to plan for this change and if possible bring claims up to date in the above transitional period.

Gift aid small donations scheme (GASDS)

The above will enable small cash donations to be enhanced to the equivalent gift aid payment from HMRC without the need for the gift aid paperwork. This comes into force in April 2013.

Following a consultation period the amount of donations remains unchanged at £5,000 and there remains the need for the charity to carry out

Robinson Reed Layton

Charity Newsletter – Spring 2013

conventional gift aid claims. HMRC has confirmed that a gift aid claim of at least 10% of the GASDS claim will be sufficient to benefit.

A track record of having completed a successful gift aid claim in 2 of the last 4 tax years is required. HMRC will write to all charities that have received a gift aid payment within the past three years.

Charities Online will be able to deal with the GASDS.

Employee expense claims

With the end of the tax year approaching it is important for employers to remember that if staff are reimbursed for expenses or the charity pays direct any expenses such as travel costs then a P11D needs to be completed or a P11D dispensation covering the relevant types of expense needs to be in place.

We recommend that charities employing staff consider holding a P11D dispensation that covers all expenses paid. Further information can be found on the HMRC website.

Real Time Information

RTI is mandatory for all employers and is to be implemented from April 2013. Under RTI employers, or their agents, will be required to make regular payroll submissions for each pay period during the year detailing payments and deductions made from employees each time they are paid.

Whilst the majority of payroll systems are gearing up to ensure that they are able to deal with the new compliance requirements of the RTI system, there are some important changes which will need to be made to the way payroll is processed.

HMRC are keen to get RTI up and running as it will enable them to ascertain details of an employee's circumstances on a more timely basis. It will also provide details for Universal Credit, the new state benefit system which is due to be rolled out from October 2013.

Other news

Charitable Incorporate Organisation (CIO)

The Charity Commission has started registering the first CIO's.

Initially only new charities could register as CIO's and income levels needed to be over £5,000.

Registration of existing charities into CIO's is being phased in from 1 March 2013 dependant on income levels. It is anticipated that there will be high demand from existing charities wanting to convert in order to obtain limited liability status.

A CIO also provides a separate legal personality without the need to set up a company with Companies House. The sole regulator will be the Charity Commission.

As ever there are drawbacks in comparison to other legal forms and it is therefore important to obtain advice on this prior to making a decision to form a CIO.

The provisional timetable is as follows:

1 March 2013 - Existing unincorporated charities with annual income over £250k can become a CIO

1 May 2013 - Existing unincorporated charities with annual income between £100k and £250k can become a CIO

1 July 2013 - Existing unincorporated charities with annual income between £25k and £100k can become a CIO

1 Oct 2013 - Existing unincorporated charities with annual income between £5k and £25k can become a CIO

1 Jan 2014 - Existing unincorporated charities with annual income < £5k can become CIO and new charities with likely income less than £5k can set up as a CIO.

During 2014 – Possible for companies limited by guarantee to convert (subject to approval by parliament). Likely to be phased in according to income.

Charity Commission Annual Returns

The Charity Commission has revamped its annual return which will need to be completed for financial years ending during 2013.

Three new questions are asked:

- Whether the charity is registered for gift aid
- Whether the charity owns or leases land and buildings
- Whether the land and buildings are used for the charity's purposes

Reserves policy

The Charity Commission has recently reviewed a selection of accounts submitted by charities and found

Robinson Reed Layton

Charity Newsletter – Spring 2013

that 4 out of 5 charities have a reserves policy, a big improvement on previous research.

Charity Commission podcasts

The Charity Commission is now producing audio podcasts aimed at trustees to aid help them understand their duties as trustees.

The first podcast looked at charities and fraud and gave advice on controls that can be put into place to reduce risk whilst the second podcast covered trusteeship. Further information can be found on the Charity Commission website.

Online tools for charities

The Charity Commission has released further guidance for new trustees. The online Trustees Handbook aims to help charities ensure a smooth handover between outgoing and ingoing trustees. The guide provides information about their duties and also the services available on the Charity Commission website.

Additionally the Commission (along with the school governor recruitment charity SGOSS and the Department for Education) has co-produced an introduction to charity law for governors of academies, foundation and voluntary schools.

Academy trustees (the school governors) have the same responsibilities as trustees of registered charities. The new guidance summarises their responsibilities and signposts where further information can be found.

Charity Commission guidance

The Charity Commission has recently issued additional guidance (for details see CC website).

CC30 – Finding new trustees (September 2012)

CC15b - Charity Reporting and Accounting: The essentials (January 2013)

CC47 – Complaints about charities (November 2012)

Alcohol: selling/providing drinks at events (January 2013)

2013 Budget news

Employment allowance

The Chancellor has announced that every employer in the UK will have the first £2,000 taken off their national insurance liability with the aim of boosting job creation. This will commence in April 2014.

The employment allowance will apply to charities and community amateur sports clubs, and has been reported to be worth £45m to the sector. The Employment Allowance will be delivered through payroll software and HMRC's RTI system.

Income tax relief cap

There was great concern last year that tax relief on donations to charities would be capped at £50,000 or 25% of a person's income. Charity donations are exempt from this cap following the Finance Bill 2013.

Gift aid and charitable giving

The Government will consult on proposals to make it easier to donate through digital giving channels. This will include options to complete one single gift aid declaration to cover all donations made via a giving website.

This seems a positive step forward for the sector, which would welcome any method of gift aid simplification. It is hoped that HMRC's new Charities Online system will be able to cope with these proposals.

Community Amateur Sports Clubs (CASCs)

Although not a new announcement the Government has confirmed that it will consult on clarifying eligibility conditions for CASCs.

VAT: Charitable buildings

As announced in last year's budget the Government will be withdrawing charitable buildings from the scope of reduced rate VAT for installing and supplying energy saving materials. This will come into force on 1 August 2013.

Tax breaks for social investment

Organisations involved in social investment will welcome news that the government plans to introduce a new tax relief in the Finance Bill 2014.

The Budget statement referred to the Government consulting on introducing this new relief to encourage private investment in social enterprises later in the year.

Volunteering

The Government has also announced that it intends to produce revised guidance for volunteers running charity events to aid the confusion over current documentation.

Robinson Reed Layton Charity Newsletter – Spring 2013

Round up

- A recent NCVO survey found that nearly half of charities expect to cut spending in the next quarter and 32% will cut staff.
- Nick Hurd, the Minister for Civil Society, has ruled out one of the recommendations made in Lord Hodgson's review of the Charities Act 2006. Charities with income of more than £1m will not be able to pay trustees without prior approval from the Charity Commission.
- Charities Aid Foundation research has found that donations to the charity sector dropped by £1.7bn in 2011/12 compared with the previous year, meanwhile Legacy Foresight has found that legacies increased by 7% in the calendar year 2012 when comparing with 2011.
- A Community Life survey has found that the proportion of people volunteering at least once a year increased by 6% to 71% between 2011 and 2012.
- The Charity Commission will be revising its anti-fraud guidance following the ICAEW governance review concluding that many charities did not have sufficient controls and procedures in place to minimise the risk of a fraud taking place. In particular risk management is not being considered by smaller charities, trustees are not always confident with their financial knowledge, and awareness needs to be raised of future sustainability.

Charity contacts

Telephone: 01872 276116

Name

E-mail

Graham Boulton	<i>Partner</i>	graham.boulton@rrl-truro.co.uk
Mark Williams	<i>Director</i>	mark.williams@rrl-truro.co.uk
Tracy Lewis	<i>Manager</i>	tracy.lewis@rrl-truro.co.uk
David Horwell	<i>Senior</i>	david.horwell@rrl-truro.co.uk
Graham Ratcliffe	<i>Senior</i>	graham.ratcliffe@rrl-truro.co.uk



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