

WATSON BUCKLE

CHARTERED ACCOUNTANTS

CHARITY BULLETIN

Welcome to Watson Buckle's Charity Bulletin, which brings you news and information on the financial issues facing charities.

In this issue, we take a look at the relevant tax reliefs that are likely to win a reprieve, why smaller charities can still submit their

accounts in PDF format and the benefits of collaboration.

We conclude by considering how working with an accountant can boost your charity and eliminate the mistakes made by trustees in managing their organisations.

We hope you enjoy reading Charity Bulletin and that you find it useful. We'd welcome your feedback on the content, or ideas for topics that you'd like to see featured in future issues, so if you would like to comment, please call **01274 516700** or email **DavidW@watsonbuckle.co.uk**



Smaller charities win online filing concession

Smaller charities have won a concession from HM Revenue & Customs (HMRC) as it moves to a new system of online filing.

From 1st April 2011, all companies and organisations will have to file company tax returns online for any accounting period ending after 31st March 2010, and will also have to pay any corporation tax and related payments due electronically, for example by direct debit.

Under the changes, all corporation tax returns and supporting documents must be filed online using the iXBRL format.

HMRC has made a concession to smaller charities regarding the new arrangements,

on the basis that the way they prepare their accounts means that the template included in the free software provided by HMRC may not be suitable for them.

Consequently, until it provides suitable free software, HMRC will accept accounts from smaller charities in PDF format. However, computations must be filed in iXBRL, for which the free HMRC software should be appropriate.

A smaller charity for these purposes is one where, together with any wholly owned subsidiaries (companies owned by the charity), the combined income does not exceed £6.5 million for the accounting period.

Charities tax relief in the spotlight

The Office of Tax Simplification (OTS) has completed its review of tax reliefs – and its recommendations are likely to find favour with charities.

Following the publication of a full list of all 1,042 UK tax reliefs and allowances last November, the OTS issued an interim report, asking for feedback from those who used the reliefs.

Its main purpose was to invite comment on whether the Office's methodology was appropriate, and whether any other criteria should be used for its final report.

The interim report focused on a sample of

13 reliefs, including Gift Aid and VAT on supplies to and sales by charities, which the OTS categorised as reliefs that could potentially be simplified.

Now the final report has been published, with recommendations that 45 reliefs be abolished, 17 simplified, 54 retained and 37 looked at in more detail. Eight tax reliefs were found to have expired, and the OTS has recommended that these be removed from legislation.

Amongst the reliefs to be retained are: VAT on supplies to and sales by charities, gifts of trading stock to charities and gifts of qualifying investments to charities. However,

Millennium Gift Aid and transitional reliefs on distributions to charities were both found to have expired and have been recommended for abolition.

No recommendation was given on Gift Aid, as a consultation into this particular relief is already under way.

The OTS has presented its recommendations to Chancellor George Osborne ahead of his Budget announcement on 23rd March 2011. He will then decide which recommendations, if any, should be implemented.

A copy of the report can be found at www.hm-treasury.gov.uk/ots.htm

Accountants can help to boost sector, says regulator

Accountants can help increase public confidence in charities by encouraging them to be more transparent about spending decisions, says Charity Commission chairman Dame Suzi Leather.

She told a meeting of chartered accountants that a recent survey by the commission had revealed how important it was to people that charities made public how they spent their income.

The commission is now advising charities to remember the basics, such as filing their accounts on time, as well as thinking creatively about ways in which they can

inform the public of how they spend their money.

Dame Suzi told the meeting: "It is your responsibility to help charities examine the way they report to the public about their spending; to help them redouble their efforts to be open, to be transparent and to be accountable."

She said accountants also had an important role to play in helping charities respond to the economic downturn, by encouraging them to cut costs and improve effectiveness, for example by working with other charities or moving more services online.



Collaboration works, survey finds

Collaborating with other charities brings real benefits, according to the small charities questioned for a Charity Commission report.

The report, published at the end of November, drew on a survey of 2,500 charities with incomes of less than £250,000. Such organisations make up 91 percent of the commission's register, with a combined income of £4 billion.

In fact, 45 percent of the charities surveyed had collaborated with at least one other charity over the past two years,

most commonly sharing information or equipment, or through joint fundraising.

Of those that had collaborated, 82 percent felt it had been successful and 84 percent reported benefits, including identifying cost reductions and increased access to funding opportunities.

For those that had not collaborated, 34 percent said they had no appropriate charity partners and 30 percent that they had not been approached by another charity interested in collaborating.



Trustees reminded of their responsibilities over charity accounts

A report by the Charity Commission shows that charity trustees are still making too many basic mistakes in managing their organisations.

In the paper, 'Charities Back on Track – Themes and Lessons from the Charity Commission's Compliance Work', the Commission says the number of serious incidents reported to the regulator has risen and that many more may still go unreported.

Overall, failures by trustees to properly govern charities, poor financial management and inadequate accounting continue to be the most common areas of concern in the Commission's investigatory and compliance work.

Of the 2,434 serious concerns and incidents taken up by the Commission in 2009-10, only 180 went on to be formally investigated – up on the 168 investigations carried out in 2008-09.

Checks into the eligibility of charity trustees also revealed a 'significant' number of people who were disqualified from acting as trustees, either because they were insolvent or had been disqualified from being a company director.

During the past year, the Commission also monitored a total of £521 million of charity income and directly protected £29 million of charity assets at risk through action taken during its investigations.

While many of these mistakes may have been a result of basic human error, trustees still have a responsibility to ensure that their organisation's financial affairs are in order. A qualified accountant can check through your records and advise on any areas where improvement is needed before your accounts are submitted to the Commission.

Email: email@watsonbuckle.co.uk • Web: www.watsonbuckle.co.uk

York House
Cottingley Business Park
Bradford BD16 1PE

Tel: 01274 516700
Fax: 01274 516755
Email: email@watsonbuckle.co.uk

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