



Welcome to the Watson Buckle Charities Bulletin, our publication to keep you up to date with news and information relevant to the charities sector.

This edition explores the new rules that are making it easier for charities to comply with digital taxation, we will look at the new rules and responsibilities being placed on trustees and restrictions to the employment allowance from next year. We finish by highlighting a warning from HMRC regarding VAT on social media advertising and reveal a call for a major overhaul of SORP.

We hope you enjoy reading our Charity Bulletin and that you find it useful. We would welcome your feedback on the content, or ideas for topics that you'd like to see featured in future issues. Please get in touch with Susan on 01274 516700 or email SusanS@watsonbuckle.co.uk.

New rules make it easier for charities to comply with Making Tax Digital

The rules around new digital tax reporting requirements will be relaxed for charities and other not-for-profit entities, it has been revealed.

The new system - known as Making Tax Digital (MTD) - requires almost all organisations to keep their VAT records digitally and submit their VAT returns using MTD-compatible software.

However, experts have raised concerns that charity staff – many of whom only work on a volunteer basis – were not able to meet the “strict digital record keeping requirements”.

In an attempt to meet charities halfway, HM Revenue & Customs (HMRC) has now relaxed the rules around recording VAT at charity fundraising events.

In a new VAT notice, HMRC said it no longer expects charities to record separate invoices for every different VAT-chargeable item supplied at a charity fundraising event, highlighting that “charities may find it difficult to meet the strict digital record keeping requirements for events run by volunteers”.

Charities and not-for-profit organisations, therefore, can record digitally all supplies made relating to the event as if it were a single invoice, and all supplies received can be treated similarly.

Note, however, that this easement only varies the requirements on maintaining records using functional compatible software, and does not change any other record keeping requirements as per VAT legislation.

Commenting on the update, tax expert



John Hemming, chair of the Charity Tax Group (CTG), said HMRC’s latest changes should make record-keeping for charity fundraising events “less onerous”.

“Often these events are run by volunteers and with limited internet/computer access, making it impractical to maintain digital links between the individual supplies made,” he said.

“HMRC had not considered these types of situation, but officials have listened and responded in a pragmatic way, allowing special

treatment for charities in these circumstances.”

Mr Hemming added: “This relaxation of the digital links requirements should make record-keeping for charity fundraising events less onerous for charities and the Charity Tax Group will continue to work with HMRC to ensure that the wider digital links requirements are implemented in a practical and proportionate way.”

For help and advice complying with new Making Tax Digital legislation, please get in touch with our expert team.

Trustees – the latest update on rules, roles and responsibilities

Becoming the trustee of a charity or organisation can be a very rewarding experience, but it is not a decision to be taken lightly.

The Charity Commission for England and Wales has called on charities to update their organisation's details before submitting an annual return.

It comes after the regulator announced changes to the public register of trustees, which will ban trustees from using a 'display name'.

From 1 April 2020, all charities trustees will instead have their full legal names published on the register, which can be viewed by members of the public.

It is believed that the change will help promote the "serious" nature and responsibility of being a trustee, as well as increase transparency and accountability to the public.

In light of this upcoming change, the Charity Commission has now asked all charity trustees to update their details, ensuring any existing information is up to date and all new trustees are added accordingly. This includes their home address, email address and telephone number, although these details will not be published on the register.

Charities also have a duty to ensure that each named person is not disqualified from acting as a trustee.

"Trustees of all charities have a legal obligation to keep the details on the charity register accurate and up to date. This helps maintain public trust and confidence in the charity sector and enables us to contact you with important regulatory information," said the Charity Commission.

And finally, charities must now provide details of all bank and building society accounts in operation.

Commenting on this change, the regulator said: "Trustees have a duty to act responsibly, reasonably and honestly and protect charity funds and assets so that they are only used to support or carry out its purposes.

"Working inside the regulated banking system is the best way to achieve this. Holding a bank account also aids with transparency providing an audit trail and records, such as bank statements"

The 2018-19 charity annual return also includes a host of new questions, two of which ask charities to detail salary information and overseas expenditure.

Trustees will typically have independent control over, and legal responsibility for, a charity's management and administration.

As such, they fulfil a very important role within the third sector, but if they fail to uphold their responsibilities, they may find themselves under investigation by the Charity Commission.

This organisation expects all trustees to take their responsibilities seriously and will take action against trustees if they feel they have stepped outside of the rules.

The Commission expects all trustees to follow six key legal duties. These are:

Ensure your charity is carrying out its purposes for the public benefit

You and your co-trustees must make sure that the charity is carrying out the purposes for which it is set up, and no other purpose.

Comply with your charity's governing document and the law

It is your responsibility to take all reasonable steps to learn what these rules are by reading relevant documents or seeking expert advice.

Act in the best interests of the charity

To fulfil this responsibility, you must:

- do what you and your co-trustees decide will best enable the charity to carry out its purposes
- make balanced and adequately informed decisions, thinking about the long term as well as the short term
- avoid putting yourself in a position where your duty to your charity conflicts with your interests or loyalty to any other person or body
- not receive any benefit from the charity unless it is properly authorised and is clearly in the charity's interests.



Manage your charity's resources responsibly

You must:

- make sure the charity's assets are only used to support or carry out its purposes
- avoid exposing the charity's assets, beneficiaries or reputation to undue risk
- not over-commit the charity
- take special care when investing or borrowing
- comply with any restrictions on spending funds or selling land.

It is also the responsibility of trustees to ensure that the correct safeguards and checks are in place to ensure that these rules are complied with.

Act with reasonable care and skill

As someone responsible for governing a charity, you should use reasonable care and skill when managing the organisation and take appropriate advice when necessary.

Ensure your charity is accountable

Trustees must ensure that the organisation that they run is compliant with statutory accounting and reporting requirements.

The Commission has made it clear that they do not expect trustees to be perfect, but they do expect them to do their best to comply with their duties. As such, charity law seeks to protect trustees who have acted 'honestly and reasonably'.

If you would like to know more about our services for charities and trustees, please contact our team today.

Employment Allowance to be restricted from next year

At the moment charities of all sizes can benefit from Employment Allowance.

However, from the start of the new tax year in April 2020, the allowance will only be available to employers with a secondary Class 1 National Insurance Contributions bill in the current tax year of less than £100,000.

Charities need to ensure that they update their payroll systems accordingly and cease to select

any options within payroll software indicating that they will claim the allowance if they are no longer eligible.

Furthermore, in circumstances where an employer becomes connected with another employer that is excluded from Employment Allowance as a consequence of their secondary Class 1 bill having exceeded £100,000, they will also become excluded.

The required information regarding Employment Allowance must be provided to HM Revenue & Customs (HMRC) using the Employment Payment Summary (EPS) of the Real-Time Information (RTI) system.

It is really important that charities are up to date ahead of this change next year and have the right processes in place.

Please contact us for support or guidance.

Do not recover VAT on social media advertising, says HMRC

It has been confirmed that charities cannot recover VAT on social media advertising after HM Revenue & Customs (HMRC) issued a briefing notice to financial controllers.



The letter – published online – clarifies the regulator's position on the charging of VAT on physical and digital advertising media, the treatment of which had previously stood in a grey area.

So, where does the confusion lie?

Some advertising services, when supplied to a charity, may be zero rated for VAT purposes – providing the advertising is communicated to the 'public'. This is where it can get a little bit complicated.

The public, as described in accordance with VAT legislation, is defined as the "general public". This can also include businesses and small groups – such as a magazine or newspaper audience or people targeted by a general campaign in their geographical area.

However, the 'public' does not include targeted or specially selected individuals or groups. And this is

– generally – where the target audience of a social media campaign lies.

This is because when customising your ad campaign on a social media platform, you must select who you wish to target by demographic, such as age, interest, location, profession or even relationship status.

So, what does this mean?

Simply, charities cannot claim VAT relief on social media advertising.

If you believe that your charity has attempted to recover VAT on social media advertising in the last four years, you should make representations to have the error rectified. Going forward, you should ensure that your accounting processes are adjusted to stay compliant.

For help and advice, please get in touch with our team.

Charity regulators call for major overhaul of Charities SORP

Polymakers have called for major changes to the Charities SORP – also known as the Statement of Recommended Practice on Accounting and Reporting by Charities.

It comes after a panel of experts published their final report into the financial reporting requirements that apply to almost all charities preparing accounts.

The governance review panel was formed last year after a number of reports indicated that the current Charities SORP was not fit for purpose and required drastic improvements.

It comprises of a representative from each of the four charity regulators of the UK and Ireland: the Charity Commission for England and Wales (CCEW), the Office of the Scottish Charity Regulator (OSCR), the Charity Commission for Northern Ireland (CCNI) and the Irish Charities Regulator (CR).

Notably, the four bodies formed last year to create the new charity SORP making body,

responsible for developing the Statement of Recommended Practice for the not-for-profit sector.

Publishing a number of major recommendations across five key themes, the SORP review panel said charity reporting and accounting "must be refocused with the views and needs of the users of charity reports and accounts at its centre".

The key recommendations are listed below in full:

- *The needs of the wider public and beneficiaries require a refocusing of the SORP and greater simplification of reporting requirements for smaller charities*
- *The SORP Committee should be retained but reforms are needed regarding size, composition and clarification of the respective roles of the SORP-making body and SORP Committee.*
- *Broader and ongoing engagement is needed with a much wider group of stakeholders if the SORP is to continue to be fit for purpose.*

- *The sector and charity regulators should collaborate to identify and codify best practice in non-statutory financial reporting.*
- *The SORP-making body, supported by the Financial Reporting Council (FRC) needs to ensure that the redesigned SORP development process takes effect.*
- *The charity regulators are asked to ensure that SORP process is adequately resourced to implement these recommendations.*

Commenting on the report, Charities SORP Committee Governance Review Panel Chair, Professor Gareth Morgan, said: "As an academic, and as a charity practitioner, I am aware of the strengths of the Charities SORP but I have also been aware of concerns expressed by some.

"Our consultation led to a wide range of really constructive suggestions, and I am confident that if the Panel's recommendations are implemented the SORP will be considerably more effective in future."

To access the report in full, please click [here](#).

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