



The economic downturn: have your trustees asked any questions yet?

The Charity Commission have published on their website a very helpful document for all charities facing the problems of the present economic climate, encouraging trustees to ask the following 15 questions:

Strategy – opportunities and risks.

- i) What effect is the economic downturn having on our charity and its activities?

Financial health.

- ii) Are we financially strong enough to sustain our operations?
- iii) Do we know what impact the economic climate is having on our donors and support for our charity?
- iv) Do we have any reserves?
- v) Have we reviewed our banking arrangements and, where relevant, our investments?
- vi) Have we reviewed our contractual commitments, for example office leases, rental agreements, equipment hire?
- vii) Have we reviewed any contracts to deliver public services?
- viii) If we have a pension scheme, have we reviewed it recently?
- ix) How can we make best use of any permanent endowment investments we hold?

Governance.

- x) Are we an effective trustee body?
- xi) Do we have adequate safeguards in place to prevent fraud?

Making best use of resources.

- xii) Are we making the best use of the financial benefits we have as a charity?
- xiii) Are we making the best use of our staff and volunteers?
- xiv) Have we considered collaborating with other charities?
- xv) Are we making the best use we can of our property?

This helpful advice warrants attention from all charity trustees sooner rather than later. Please do not hesitate to contact Andrew Griffiths if we can help in any way, meet with your trustees, discuss the present position of your charity, help plan strategically for the future etc.



ready or not?

According to certain market research, nearly half of charities have still not yet considered their strategy for the 2012 Pension Reform (as detailed in our Charity Newsletter March 2010). Whilst the actual Pensions Act 2011 is still awaited and there have been a few modifications, particularly allowing small employers with 250 employees or less not having to enrol until 2014, it is most important that charities are budgeting for the increased contributions they will have to face: 1% from October 2012, 2% from October 2016 and 3% from October 2017.

Make sure you are not left behind!

NEWSLETTER...



'Tainted charity donations'

New legislation will be operative from 1 April 2011 in respect of donations made by donors to obtain an advantage from a charity. There are three conditions that need to be examined and if they are satisfied the donor loses any tax relief that would have been due. This legislation is to replace parts of the **'transactions with substantial donors'** legislation which previously resulted in the charity (not the donor) suffering and losing valuable tax reliefs. The onus now falls on the donor and not the charity.

Charities working internationally

Under Finance Act 2010, with effect from 24 March 2010, charities are facing additional responsibilities in respect of funds sent overseas. Under new rules the charity has to **'demonstrate to HM Revenue & Customs'** that it has carried out **'appropriate checks'** before the money is sent and **'monitor how the money is spent'** to **'ensure'** it is spent charitably. HMRC are also recommending trustees to visit overseas projects where substantial funding has been provided.

Trustees need to retain sufficient evidence to prove that they have indeed taken reasonable steps and maintain records of funds that are spent overseas.

New guidance is expected shortly from HMRC and the Charity Commission and it is important that trustees of charities working internationally keep abreast of all such guidance and requirements.

20% VAT

- why not pay VAT at 5%? or 0%

When did you last check the amount of VAT your charity is paying? It does not have to be 20% all of the time nor do you have to be VAT registered to save on VAT. Providing you can provide your suppliers with a certificate confirming your charitable status and eligibility you need only pay:

5% VAT on all your energy bills where 60% of your activities are for charitable purposes. Similarly only **5% VAT** is payable on energy saving materials installed in premises used for charitable activities.

0% VAT is payable in certain circumstances on advertising, printing, building adaptations and equipment for the disabled.

Please check our website for more detailed information.



Gift Aid use it or lose it!

Please remember that as from 6 April 2011 the 3% transitional relief on gift aid donations will be withdrawn. Presently £28 is repaid in tax by the Revenue for every £100 donated under gift aid but this will reduce to £25 donated after 5 April 2011.

Do your gift aid donors know that they can reclaim higher rate tax relief on their donations to your charity? Why not encourage this tax repayment to be further donated to you under gift aid – and the donor receive another higher rate tax refund!

CIOs - still coming (yes they are!)

The Charity Commission are now telling us that CIOs will be introduced in late spring, CIOs being the new structure for charities recommended by the Charity Commission.

Have you thought whether your charity would benefit from becoming a CIO? Why not contact us to arrange a consultation to consider both advantages and disadvantages.

Congratulations!

Colin Dadswell of our charity team has achieved the ICAEW's Diploma in Charity Accounting (DChA) and joins Nick Brown, Andrew Griffiths and Steve Smith of the charity team who already hold the respected Diploma.

Please address all enquiries, responses and other issues raised by this newsletter to:

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Email us the details of others who would like to receive this newsletter.



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