DIXON WILSON
CHARTERED ACCOUNTANTS

CHARITIES UPDATE MAY 2016

Taxation & Gift Aid

HMRC have amended the required wording for gift aid declarations with effect from 6 April 2016.

The revised declaration emphasises that it is the donor's responsibility to make good any shortfall between the income tax and capital gains tax they pay in the tax year and the Gift Aid claimed on their donations.

Charities should review any declarations issued moving forwards to ensure they use the appropriate wording. Signed declarations which were in place before this date, for both single and enduring donations, will not require updating. Charities holding stocks of printed materials that were ordered and printed before the wording was amended can use up their current stock.

Gift aid for partnerships

With effect from 6 April 2016 a single partner can no longer make a gift aid declaration on behalf of all the partners where a partnership makes a donation. Instead each partner will need to make their own gift aid declaration covering their share of the total donation made.

Partnerships will need to update their procedures to ensure tax relief is not lost. Charities should also be aware of this change in order to ensure they hold valid declarations to support gift aid reclaims made.

Charity Commission

Guidance issued on managing Charity finances

In the wake of the much publicised collapse of Kids Co, the Charity Commission has revisited its finance guidance, issuing commentary on the importance of reserves policies and how trustees should manage charity finances, especially during challenging circumstances. This makes important reading for charity trustees.

The Commission expects trustees to actively manage charity finances through regular monitoring, asking the right questions and employing professional help where needed. The Commission suggestion is that regular monitoring might include a monthly comparison against budgets.

Where a charity has to close, the commission expects trustees to have planned for an orderly shutdown.

New guidance on reserves re-confirms that there is no single level or range of reserves that is right for all charities. Decisions and targets on reserves reflect the particular circumstances of the individual charity.

The guidance is that trustees need to keep levels of reserves under review throughout the year, not just at year-end. Where reserves are lower than the charity requires, the Commission expects the trustees to actively address the increased risks this brings.

Fundraising guidance

In light of controversy around the fundraising techniques employed by some charities, the Charity Commission is consulting on new draft guidance for trustees of fundraising charities.

The Commission guidance identifies key responsibilities for trustees and makes clear that they are legally responsible for fundraising practices and for supervising fundraisers.

The consultation closed in February and final guidance is expected in the next few months. Once this guidance is finalised it would be best practice to carry out a formal review of fundraising activities in light of the new advice.

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People with Significant Control

With effect from 6 April 2016 UK Companies and LLPs are required to prepare and maintain registers of 'people with significant control'. There is no exemption from these rules for charities so charities which are formed as a UK company, or which have corporate trading subsidiaries within their group, will need to ensure they are compliant.

The rules broadly look to identify those with beneficial ownership in and / or significant influence and control over the UK entity. This is not a concept that fits comfortably with charities or charity Law. If in doubt, professional advice on completion of the register may be required.

Audit & Accounting

Charities SORP (FRS 102) Update Bulletin

There continue to be changes to the Charities SORP as the first round of charities prepare accounts under the new rules.

A helpful amendment requires that only larger charities must provide a statement of cash flows. This may be good news for those smaller charities who are choosing not to adopt the SORP (FRSSE), which is available for just one year, but are moving straight over to the SORP (FRS 102).

Other amendments confirmed in an update published in February include:

- Changes to the rules around valuation of goods donated for distribution to beneficiaries.
- Confirmation that in exceptional cases where the useful life of intangible assets cannot be reliably estimated, the maximum period over which the asset may be amortised is now ten years rather than five.
- Charities that are UK registered companies and enter into a business combination with a third party will no longer be able to apply merger accounting to that combination.

Charity audit thresholds

Charities whose accounting years ended on or after 31 March 2015 are subject to new thresholds in determining whether an audit or independent examination is required.

These new thresholds are subject to any overriding requirements in the organisation's governing documents and will apply to charities registered and operating within England and Wales, but not to Scottish charities.

NEW CHARITY AUDIT THRESHOLDS:

Income	Total Assets	Level of Scrutiny
£25k - £250k	Any amount	Independent Examination
£250k - £1m	Up to £3,260k	Independent Examination
£250k - £1m	Over £3,260k	Statutory Audit
£1m +	Any amount	Statutory Audit

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