

ASSOCIATION OF CHURCH
ACCOUNTANTS AND TREASURERS

President: The Bishop of London

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Newsletter

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ACAT

CONFERENCES

The 2007 Annual Conference will be held on Thursday June 28th at the Emmanuel Centre in London. It is intended that speakers will deal with the new Charities Act and other Charity Commission matters, Gift Aid, including the new claim forms (see article in this Newsletter), and Health & Safety matters relating to churches. This year we will also include two “break-out” sessions so that members can choose which to attend. One will be concerned with the Annual Report “package” (the Accounts, the Annual Report and the Independent Examiner’s Report or the Audit Report). The other will be on Information Technology including information on software packages appropriate to Churches. Finally there will be the usual plenary session when the speakers and ACAT trustees will try to answer all your questions.

Conference details including booking slips will be published shortly so watch out for them and get your booking in early. Details will also be published on the website.

The trustees have been keen to organise local training sessions for members. Now that some Dioceses have block memberships and there is national coverage for the Baptist Church there are concentrations of members in various parts of the country that make this activity viable.

Two such conferences have been held, both on a Saturday morning and both attracted 50 or so members; at least two further such events are being planned. The first event was held in the St Alban’s Diocese towards the end of last year and concentrated on the Receipts and Payments basis for accounts. Over 85% of Church of England parishes have income under £100,000, a pattern we suspect to be duplicated in other denominations, so it seemed appropriate to concentrate efforts in this area initially. The second, held at the end of March in Loughborough, for the Leicester Diocese, again featured the Receipts and Payments presentation and a session on Gift Aid. Both finished with plenary sessions to answer members’ queries.

THE BUDGET

There was little in the Budget to interest churches in the short term. The bad news was that from 6th April 2008 gift aid donations will attract less tax recovery because of the reduction in the standard rate. For every £1 donated now 28p tax can be recovered. When the standard rate is reduced to 20p in the £, every £1 donated will only result in 25p being recovered. Churches should start now to determine how they can approach their donors to persuade them to increase their giving to make up the difference. A small change to gift aid regulations increased the maximum benefit, which could be received by a donor giving £1,000 or more, to 5% of the gift with a maximum of £500, but this is not likely to affect many churches.

The Chancellor confirmed that since tax-efficient giving was falling below the Government's expectation, initiatives to promote better take-up would be forthcoming. He also commented upon the burden which falls upon churches to maintain buildings which are part of the national heritage; it will be interesting to see what measures will be introduced.

A small VAT change could affect some churches; any granted zero-rating on new buildings constructed for a qualifying relevant charitable purpose will no longer be liable for a VAT charge if there is a change of use within ten years. Any charge paid in the last three years may be recoverable; contact HMRC.

THE CHARITIES ACT 2006

The first commencement order for the implementation of the Act came into force on 27th February 2007. The main provisions, which will and might apply to churches include:

1. Trustees may pay out of the charity's funds for trustee indemnity insurance provided such payments are not expressly prohibited by the charity's trusts. The insurance can cover personal liability for breach of trust or duty, but cannot cover fines, penalties, or liability for conduct where the trustees knew or should have known, or did not care, whether it was not in the best interests of the charity.

2. The Charity Commission will be able to relieve trustees (and charity auditors or independent examiners) of personal liability where they have acted honestly and reasonably, and ought fairly to be excused. Courts already have this power.

3. For accounting periods beginning on or after 27th February 2007 the audit thresholds will be either;

a. Gross annual income in excess of £500,000, or

b. Gross assets (before deduction of liabilities) of £2.8million and gross annual income in excess of £100,000.

Only income in the current year will be taken into account and there is no expenditure level threshold.

4. For the same accounting periods, where an audit is not required but income exceeds £250,000, the Independent Examiner, must be a member of:
Institute of Chartered Accountants in England and Wales;
Institute of Chartered Accountants of Scotland;
Institute of Chartered Accountants in Ireland;
Association of Chartered Certified Accountants;
Association of Authorised Public Accountants;
Association of Accounting Technicians;
Association of International Accountants;
Chartered Institute of Management Accountants;
Institute of Chartered Secretaries and Administrators;
Chartered Institute of Public Finance and Accountancy;
A Fellow of the Association of Independent Examiners.

CHANGES TO GIFT AID CLAIMS

Gift Aid repayment claims are being changed; the new forms can be downloaded from HMRC website at <http://www.hmrc.gov.uk/charities/forms.htm> HMRC will shortly be contacting 65,000 charities, including churches, with copies of the new forms and a mail shot to explain the changes. If your church does not receive a copy and makes Gift Aid claims please contact us and we will ensure the new information is passed on. HMRC want the new forms to be used as soon as possible and for all claims after 6th April 2007.

The main change reflects the fact that charities fall into two groups for tax purposes. Those established by a Constitution, Memorandum and Articles of Association, Act of Parliament or Rules are regarded as “Companies” for tax purposes and are “taxed” by reference to their accounting years. Those charities established by a Trust Deed or a Will are treated as “Trusts” and are “taxed” by reference to the tax year.

So, for example, the Church of England and The Church in Wales, are “Companies” for tax purposes and should make their repayment claims in relation to their accounting years. They may still claim more than once a year but no claim should span two accounting years. For example, a church with a year-end date of 31st December, previously submitting 6 monthly claims for years to 5th April each year, should now make a claim for the period to 31st December 2006 (in relation to its 2006 year) and thereafter make separate claims for 2007 and subsequent years, which could be in two parts, for the period 1st January to 30th June and 1st July to 31st December in each year. The new forms have boxes for the accounting year dates to be confirmed.

A church established by trust deed (for example the Methodist and Baptist Churches) must make their claims by reference to tax years, even if the church’s financial year ends on another date.

For example the Methodist with an accounting date of 31st August will have to submit claim(s) for the tax year 6th April to 5th April. So suppose they would like to make quarterly claims to coincide with their financial year, they would have to submit claims for the periods 1st September to 30th November, 1st December to 28th February and 1st March to 5th April in respect of one tax year, and for the periods 6th April to 31st May and 1st June to 31st August as part of the next tax year.

These changes will affect many Churches. For those that are “Companies” for tax purposes, HMRC do not want claims by tax year in future. Many churches may not be certain whether they are “Companies” or “Trusts”, but this is a crucial difference and should be clarified by the central church authorities if the individual church is unsure.

HMRC are at pains to emphasise that churches do not have to wait until the end of the accounting or tax year to make a claim; claims can still be made throughout the year and indeed HMRC are keen to encourage

churches to make regular claims. However a claim has to be split if it spans the accounting year for “Companies” or if it spans the tax year for “Trusts”, as shown in the examples above.

There are other changes to the forms, one of which is an improved method of calculating the tax to be repaid. This is an area, which often causes problems and following the guide in the forms should ensure that not too much or too little is claimed. Last year almost £2million was claimed incorrectly.

HMRC asserts that the new forms have been re-vamped to help avoid common errors, mistakes and misunderstandings. They will allow interest to be calculated more easily and paid with the claim, and improve the speed and accuracy of the repayment. Records must still be retained as previously and for those churches (“Companies”) claiming in accordance with their accounting year, keeping the records in line with the accounting records should be an added bonus.

ACAT NEWSLETTER is published by the Association of Church Accountants and Treasurers. Information contained in the newsletter is prepared carefully from the information available, but ACAT accepts no responsibility for its complete accuracy; members should always consult their professional or Church advisors. Contributions and letters for future publication, requests for information or assistance, or membership applications should be directed to: admin@acat.uk.com or to any of the officers below:

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