

CHARITY COMMISSION PUBLICATIONS

The Commission (and or the Cabinet Office) have issued a number of publications which churches may find useful and can be obtained from the Commission or downloaded from their website.

Charities Act 2006 – What Trustees Need to Know is a plain English concise guide to what is in the Act http://www.cabinetoffice.gov.uk/third-sector/documents/charity_act/charities_act_web.pdf

CC15 Charity Reporting and Accounting – The Essentials is an excellent summary of the framework and basis upon which Reports and accounts should be prepared and includes a very clear table setting out the Annual Report requirements for small and large charities- see website: <http://www.charitycommission.gov.uk/Library/publications/pdfs/cc15text.pdf>

For churches that have trading activities, e.g. a substantial bookshop, tea shop, etc: CC35 – Trustees Trading and Tax – How charities may lawfully trade : <http://www.charitycommission.gov.uk/publications/cc35.asp>

PAYMENT OF TRUSTEES

In January we reported the main provisions of The Charities Act 2006 and stated that it would help those churches, employing their minister or other officers, which also required them to be trustees. We regret that this is misleading since the Act specifically prohibits the payments to a trustee under a contract of employment. However, the Charity

Commission does accept that for many churches it is desirable that the minister they employ should also be a trustee and by concession is allowing the church constitution to contain such a provision. The Commission is working with some churches to prepare an agreed constitution in readiness for registration and is including an appropriate provision in the negotiated document.

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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Newsletter

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ACAT

2007 CONFERENCE

On 28th June 130 members plus speakers and guests attended the 2007 conference at Emmanuel Centre in London. Judging by the response to the usual feedback questionnaire it appears to have been received as another very successful event.

After Introductions and a welcome by Canon Robert Reiss (Canon Treasurer, Westminster Abbey) the first speaker was Keith Moore, Head of Charities Business, H M Revenue & Customs. He outlined ways in which he hoped HMRC would develop its relationship with charities and the level of service to which HMRC aspired in dealing with us and all charities that they wished to regard as "customers".

John Hamilton dealt with the vexed problems of Health and Safety rules and regulations as they affect churches. He stressed that whatever the constitutional structure of respective Christian Churches or Parishes, each local church has the responsibility to ensure the Health and Safety of those who work in and around its premises together with visitors and passers by.

After lunch there was a choice of sessions: "IT – Accounting packages

for Treasurers", delivered by Vivienne Dorian, or "The Annual Report and Accounts - What should be included" by Ron Norey (ACAT). A number of members were disappointed that they could not attend both sessions – something we shall bear in mind for future occasions.

The final speaker was Judith Cox, Senior Manager Registration, from the Charity Commission. Judith dealt with two main issues arising out of the Charities Act 2006, – the removal of the presumption of Public Benefit and the Registration process.

Keith Moore's and John Hamilton's notes, together with the slides used by Vivienne Dorian, Ron Norey and Judith Cox in their presentations are available to download from the ACAT website, or hard copies may be obtained by writing or email to ACAT.

The final Plenary "question and answer question" session was, as usual, lively and interesting. Among the questions directed at HMRC was "What was the purpose of the dates required to be recorded in the "Date of payment of last in series" column of the R68 Schedule of Gift Aid Donations form?" The questioner

pointed out that to go into the Gift Aid records to find the date of the last contribution added considerably to the task of completing the Gift Aid return. HMRC responded that its original purpose was to identify the period to which the contributions related, but that following the introduction of the new forms and arrangements (reported in the last Newsletter) and provided that all contributions did relate to a single accounting period being claimed, it might be sufficient to insert for all contributions the last day of the accounting period for which the claim was being submitted. HMRC have since reported that it cannot agree such a concession for church charity claims but will keep the idea of replacing specific dates with a generic declaration under review.

A further question on gift aid concerned payments for tickets or entrance to events, but it was confirmed that these were not allowable since attendance at the event constituted a benefit. It was confirmed however, that entry to view historic buildings, monuments, etc., would be allowable for gift aid

provided the "donor" paid at least 10% more than the normal entry fee.

In the Report and Accounts presentation members were warned against including property used for church purposes at current market or insurance values, when only cost is required by SORP. The effect of including "valuations" might be to take the church over the new assets audit threshold. Those who had already included properties at valuations of this nature were advised that there did not appear to be any mechanism to reduce the value other than to provide fully for depreciation for the whole period of ownership.

During her presentation and in answer to questions, Judith Cox stressed that those churches with income in excess of £100,000 should not rush to try to register. The appropriate provisions of the 2006 Act were not due to be brought into force until late 2008 and might slip to 2009. Meanwhile the Commission is working with central church authorities to develop standard registration arrangements for each denomination, so individual churches should wait to be advised by their central authorities.

SUBSTANTIAL DONOR TAX RULES

"£25,000 from a single donor in a year or £100,000 over six years would gladden the heart of any treasurer. The rejoicing might be moderated by Section 54 of the Finance Act 2006 and guidance notes issued by HMRC on 2 May 2007. The Act restricts a charity's tax exemption if a substantial donor, or a connected person, receives a benefit from the charity."

Hopefully no church would even

consider becoming involved in tax avoidance schemes and so might be surprised to find they can be caught by the rules. The following example given in the guidance notes highlights the problem.

- In January 2008 a charity makes a £5,000 grant to a homeless person, Mr Rose.
- He later inherits a large sum of money and on 1 December 2009 makes a single £75,000 gift aid donation to the charity, which

helped him.

- Mr Rose is a substantial donor.
- The amount of the original grant is therefore treated as non-charitable expenditure and the charity is liable to tax on £5,000.

How many churches have records that would enable the treasurer to investigate whether a substantial

donor (or a person connected to the donor) has received a benefit during the six years prior to the gift? Do churches need to start keeping records of all benefits?

ACAT is concerned that the guidance notes are unworkable. We are working with others on representation to H M Revenue and Customs.

AUDIT THRESHOLD - DISPENSATIONS

The Charity Commission has issued some guidance on external scrutiny of Accounts which can be found at http://www.charitycommission.gov.uk/supportingcharities/ogs/i015c009.asp#a4_4

The two year rule

The Charities Act 2006 raised the audit threshold from £250,000 (income or expenditure) to £500,000 (income only and for the current year only) or gross assets exceeding £2.8m where gross income also exceeds £100,000. These new thresholds only apply to financial years beginning on or after 27 February 2007.

There are likely to be some churches, whose financial year spans 27 February and whose income or expenditure is less than £250,000 for that current financial year but who must have an audit because the old threshold was exceeded in either of

the previous two years. Where a church is able to demonstrate that their usual level of income and expenditure is normally well below the £250,000 threshold, that exceeding this threshold in a previous year was due to an abnormal circumstance (e.g. a one off event) and that the cost of an audit would be disproportionate to the church in view of its current activities, then the Charity Commission will consider granting a dispensation.

Other cases

When considering whether to offer a dispensation on grounds, other than above, the Commission will consider exceptional circumstances. However, the receipt of a large grant or similar funding is not itself sufficient reason for dispensation because the Commission considers the risks associated with the increased resources merit the higher degree of assurance provided by an audit.

TREASURERS GUIDELINES 2007 - ERRATA

ACAT recently distributed the annual "Treasurers' Guidelines" for 2007, and an eagle-eyed member has spotted a "typo" in the last item on the mini page 4. In the section "Scrutiny – years beginning before 27 February 2007", the second item down should read "Income over £10,000..... (not £100,000 as is printed). Please make the necessary adjustment to your copy.