

Budget 2010 – Implications for churches and Christian charities

March 2010

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March 2010 Budget – Implications for churches and charities

1 Introduction

Chancellor Alastair Darling delivered his third Budget Speech on 24th March 2010. Being the last Budget before the General Election and in a climate of significant economic difficulty and unprecedented levels of public borrowing, it was as expected: very political in nature and containing few new measures of significance.

However, behind the headlines, there are a number of matters that will be of interest to churches and charities and these need some unpacking. Our Paper includes not only the Budget announcements themselves, but takes account of the corresponding draft legislation as published in the Finance Bill 2010 at the end of March.

In addition, there are measures previously announced which, if left un-amended by a new administration, present significant challenges for the charity sector.

Finally, there are further measures on the horizon, of which we need to be aware.

Each of these are dealt with in this Briefing Paper. It is usual practice for an incoming Government to announce their own Budget measures and, for this reason, some of the measures announced by Mr. Darling may never become law. The first Budget of the new Government is likely to be in June, and Stewardship will issue a further Briefing Paper following those announcements.

2 Gift Aid

The March Budget announces a number of changes. On the face of it, some of these may seem concerning. However, when the intention and detail is unwrapped, we expect there to be less to worry about for most domestic charities.

Extension of Gift Aid to Europe

The heading is a little misleading, in that this particular reform applies to all charity tax reliefs: Gift Aid, VAT reliefs and exemptions, capital gains tax, corporation tax, inheritance tax and various stamp duties reliefs. However, it is convenient to consider it here only in relation to Gift Aid, in as far as a number of consequential amendments are proposed that are Gift Aid specific.

2.1 The overall principle

Following the decision of the European Court of Justice in the German tax case of *Hein Persche v Finanzamt Ludenscheid* on 27 January 2009, the Government has been required to extend UK tax reliefs to other charities in the EU and EEA, as limiting these reliefs to UK charities constitutes contravention of the EU Treaty principle of free movement of capital.

The UK is required to treat these overseas charities in the same way as domestic charities. So, provided that the overseas charity can satisfy the same tests as a domestic charity, they should be entitled to the same reliefs. The domestic tests are

being amended to safeguard the Exchequer from a perceived increased risk of fraud arising from the widened scope of tax reliefs.

The Member States of the EU plus the additional two countries that are part of the EEA, but not the EU, are listed in the Appendix to this Briefing Paper.

2.2 Administrative reforms

Various administrative reforms are being made to strengthen HMRC's policing of the gift aid system in the brave new world of reliefs to charities throughout the EU.

New Forms:

3 new forms are being introduced in the days following the Budget. Other forms are to be revised over the following weeks. The 3 immediate changes are:

- **The R68 Gift Aid Claim Form.** This is to be replaced by R68(i). This is described as an "intelligent" form that automatically works out the period of claim and the amounts claimed as you enter the figures. It ensures the figures are correct before you print out the form and send it to HMRC.

The form replaces the current "R68", "R68 Gift Aid Schedule" and "R68 Other Income" and will be available to download from the internet.

- **HMRC Variations form.** This will be used to notify changes of address, bank account details or details of the nominated official who completes the R68(i). Other forms of notification will not be accepted.
- **HMRC Charity Application Form.** Charities that want to (newly) register for Gift Aid will need to complete this form, as there is to be a new definition of charity for the purposes of an organisation that is entitled to tax reliefs.

In-year gift aid repayment claims:

Reforms are to be made to the ability of charities to make gift aid repayment claims during a tax year. We understand that this is an efficiency and cost saving move. It does not mean that in-year repayment claims will not be possible, but that they will be individually restricted by value and volume. Apparently, HMRC receive a large number of very small claims from individual charities during the course of a single year.

Stewardship has been invited (along with some other charities and representative bodies) to informally consult with HMRC in shaping the way in-year Gift Aid payments are to be restricted and in particular, on where the lines should be drawn. If you have particular views or concerns, please e-mail them to kevin.russell@stewardship.org.uk.

Donations from non-UK resident donors:

Prior to 6 April 2010, where a non UK resident donor had not paid enough UK tax to cover a Gift Aid repayment made by a recipient charity, the whole donation was incapable of being a Gift Aid 'qualifying donation' and the charity was required to repay all of the tax reclaimed under Gift Aid on that donation. In contrast, where a UK resident donor was in the same position, they would be able to apply Gift Aid to the whole donation, but would be liable personally to HMRC to make good the shortfall in tax.

From 6 April, the rules for non UK resident donors is aligned with that of UK resident donors.

Comment

Whilst this is unlikely to arise in practice too often, it is good news for UK charities. It means that donations that the charity *thought* were within Gift Aid and reclaimed tax accordingly (and perhaps in the meantime spent the tax refund) will not be faced with a retrospective disallowance of the whole donation. Instead, the donor may make good the shortfall in tax so as to leave the charity unaffected.

2.3 New definition of charity

To be eligible for tax reliefs, a charity will now have to meet a new HMRC definition of 'charity'¹. The new definition will apply to all donations made by individuals to charities on or after 6 April 2010. For other tax reliefs², the new definition will be implemented as soon as existing statutory definitions are amended.

To fall within the new definition, the charitable entity has to meet **all four** of the following tests. It must be:

- **established for charitable purposes only**, under the definition of charitable purposes in Charities Act 2006. This is an *England and Wales* test of charitable purpose. Section 80 Charities Act 2006 applies this test *for tax purposes* throughout the UK, notwithstanding that Charities and Trustee Investment (Scotland) Act 2005 and Charities Act (Northern Ireland) 2008 apply slightly different tests of what is, or is not, a charitable purpose. This is because tax matters are not devolved to the Scottish and Northern Ireland administrations.

It remains to be seen how this works out in practice for Scottish, Northern Irish and other European charities. Scottish and Irish charities, whose purposes refer to their domestic charity legislation, may technically be outside of UK charity tax relief. Any charities that are concerned on this point should seek appropriate professional advice.

Non UK charities will need to show that, if they were actually based in England or Wales, they would meet the definition of a charity under the law of **England and Wales**. It is not clear how this will work out in practice.

- **based in a 'relevant territory' and be subject to the control of a relevant court** with jurisdiction for charities under the law of that relevant territory. At present, a relevant territory is a member state of the EU. HMRC have power, by regulation, to add further relevant territories. They will be adding Norway and Iceland (who are members of the EEA but are not within the EU). For a full list of countries that will initially be 'relevant territories', see Appendix 1.
- **managed by 'fit and proper persons'**. On this, see Paragraph 2.4.
- **registered with any charity regulator** in their home country with which the law requires an organisation to register (i.e. the equivalent of our Charity Commission).

¹ The Charities Act definition of 'charity' remains. The new definition which incorporates parts of the Charities Act definition only applies for tax purposes.

² That is tax reliefs relating to income tax, capital gains tax, corporation tax, VAT, inheritance tax, and stamp duties.

Action Point

The new definition raises a very interesting point for churches in the UK that technically should be registered with the Charity Commission or OSCR but are not, as it would seem to indicate that these churches will not be eligible for tax reliefs after 5 April 2010.

Potentially, there are a large number of churches in this position, because they mistakenly have thought that, as places of worship, they do not need to be registered.

In essence, following Charities Act 2006, all English and Welsh churches should now be registered with the Charity Commission unless:

- Their annual gross income is less than £5,000, or
- Their gross annual income is less than £100,000 **and** they are associated with one of the specified historic Christian denominations.

For further detail on the Charities Act 2006 registration requirements, please refer to our Briefing Paper 'Charities Act 2006', available from our website.

In Scotland, all charities must register with OSCR. A similar regime of registration of all charities in Northern Ireland is in process.

2.4 Fit and Proper Persons Test

The new definition of charities includes a 'Management Condition', also being referred to as a fit and proper person test. This states that all of the charity's 'managers' must be fit and proper persons if the charity is to remain eligible for tax reliefs.

'Fit and proper' is not defined in the legislation and therefore takes its natural meaning. The Budget documentation tells us that the fit and proper persons test is applied to charity directors or trustees, and will also apply to anyone who, in practice, controls the financial aspects of running the charity. HMRC describe this as including the Chairperson, Treasurer, Secretary and any cheque signatories in a small charity. In a larger charity, it would extend to certain employees who are able to determine how the charities funds are spent, such as a Financial Controller.

We would question whether the draft Finance Bill actually applies the test to such a wide body of individuals. A 'manager' is defined in the Bill in identical terms to the definition of a 'trustee' in Section 97 Charities Act 1993. It is generally understood that whilst this definition could exceptionally reach beyond those named as trustees in the charity's governing document, the wider definition would only apply to individuals who, for example, function in a policy making or strategic manner. It would not include an employee who simply has delegated power to expend funds on behalf of the charity. Clarity will be needed on this point.

In deciding if a person is "fit and proper", HMRC will look at the records it holds and has access to, to determine whether that individual is likely to exploit the charity tax reliefs for non-charitable purposes. The position the person holds within the organisation will be important - those with greater control over how charity tax reliefs are used present a greater risk than those with no such control. As a result, the tests applied will vary from case to case, depending on individual circumstances (and the position held), and will range from simple verification of the person's name and address to detailed examination of the facts where, for example, there has been a previous conviction for tax fraud.

This raises several interesting points. First, if a trustee ceases to be 'fit and proper' at some point in time (possibly, unbeknown to the charity itself), it would seem that the

charity would, at some indeterminate time, cease to be eligible for tax reliefs. This is addressed, in part at least, by the Commissioners for HMRC having statutory power to treat the Management Condition as being met where they are satisfied that (a) the failure to meet the Condition has not prejudiced the charitable purposes of the charity, or (b) it is just and reasonable in all the circumstances to treat the condition as met throughout the period in question.

The second issue is whether HMRC will seek to carry out checks on all trustees and officers of existing charities before permitting further tax relief. Our understanding is that this is not the case and the fit and proper test will only apply afresh, from 6 April 2010, if there is a change in the person who submits the tax return and Gift Aid repayment claims on behalf of the charity.

HMRC is to issue Guidance on the application of this test.

2.5 Changes to Payroll Giving

New rules charge Payroll Giving donations to tax, and then exempt the tax charge to the extent that the donation is put to charitable purposes. Charities will pay tax on any part of a donation made under the Payroll Giving scheme that is not used for charitable purposes. The new rules apply to all charities that receive Payroll Giving income on or after 24 March 2010. This anti-avoidance measure puts Payroll Giving on the same footing as other charity tax reliefs and therefore should not have any real impact on the majority of bona fide charities.

Curiously, where the recipient charity is a charitable company, exemption from tax will require a claim to that effect. There does not appear to be a corresponding requirement for unincorporated charities.

2.6 Changes to the international expenditure rules

Changes are being made to existing requirements where a UK charity sends funds overseas. At present, the legal requirement is that the charity takes 'reasonable steps' to ensure that the payment **will be used** for charitable purposes. HMRC Guidance then builds on that requirement, but it is left to the charity trustees to determine what are 'reasonable steps' in their particular circumstances.

The new rules, which came into effect from 24 March 2010, require a charity to 'demonstrate to HMRC' 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. This is achieved by an amendment to the legislation shifting responsibility for determining what is or is not 'reasonable steps' from the charity's trustees to the Commissioners for HM Revenue and Customs.

It seems that this largely puts existing guidance, to be proactive and diligent in making sure that funds are actually spent for charitable purposes, onto a firmer, statutory footing.

HMRC will publish guidance on the new rules which is expected to say that trustees need to retain sufficient evidence to satisfy HMRC that they have indeed taken reasonable steps. In practice, the charity will be required to maintain records of how charitable funds are spent overseas and to enable them to produce evidence of the charitable works undertaken. The level of record keeping required will depend on the circumstances relating to the expenditure. HMRC give the example of a charity providing aid during an emergency and state that they would not expect the charity to maintain the same level of record keeping in these circumstances as for routine overseas expenditure.

In the meantime, they refer charities to existing Charity Commission guidance (www.charitycommission.gov.uk/Charity_requirements_guidance/Your_charity_activities/Working_internationally/Charities_working_internationally_index.aspx) particularly parts 3 and 4 dealing with 'management and controls', and 'accountability and transparency'.

Where the new (and, as appropriate the old) rules are not complied with, the overseas expenditure is deemed to be non charitable expenditure, giving rise to a charge to tax on the charity.

Action Points

Charities need to make sure that they are aware of what is expected of them when making payments overseas. Both the Charity Commission Guidance and the forthcoming HMRC Guidance should be consulted.

It is important that proper perspective is kept on compliance requirements of this nature. Regulators will not expect copious work to be undertaken for a single gift of £50. At the other extreme, significant regular funding or a grant of £50,000 or more may warrant a personal visit by the charity to the overseas project. There is a lot of ground in between from, for example, receiving simple reports to examining business plans and receiving regular financial and progress reports.

It is for the trustees of each charity to set up appropriate controls and procedures for monitoring overseas grants and ensuring, so far as is possible in all the circumstances, that the funding provided is being properly applied for charitable purposes.

3 Gifts of Qualifying Shares and Land to Charity

New tax anti-avoidance provisions apply from 15 December 2009 to stop the abuse of the reliefs for gifts of qualifying investments to charity.

The avoidance depends on the donor receiving tax relief at their highest marginal rate of tax on the full market value of the qualifying investments (i.e. shares or land) at the date of the gift where:

- the donor acquired the investments at below market value as part of a scheme or arrangement, or
- the market value of the investment is artificially inflated at the date of the gift to charity.

The new rules adjust the amount of relief to the donor to the economic cost of acquisition of the gift to the donor where:

- the qualifying investment gifted to the charity (or anything from which the investment derives) was acquired within 4 years of the date of disposal; and
- where the main purpose, or one of the main purposes, of acquiring the qualifying investment was to dispose of it to a charity and claim the tax relief.

4 Substantial donors

It is particularly disappointing that the promised repeal of the ill-fated Substantial Donors legislation, introduced by Finance Act 2006, is yet again delayed. The repeal will not now be included in the pre-election Finance Bill. According to the Government,

they need to consult further with the sector on the implications of the extension of tax reliefs to EU charities. The Government remain committed to changing the rules but, of course, the same commitment may or may not be made by the new post election Government. Although this is deeply frustrating, there is both sector wide and HMRC support for change.

5 VAT

Postal Services

Following a recent legal case, the European Court of Justice confirmed that Royal Mail is the only body in the UK eligible to exempt postal services from VAT. However, the exemption applies only to services provided as a **public postal service** provider. This means that exemption does not apply to services which are provided on individually negotiated terms or are not subject to any price and regulatory control. Budget 2010 announces changes with effect from 31 January 2011 that limit exemption to standard postal services provided by Royal Mail.

“Price control” refers to those services where there is a regulatory requirement to offer services at a public tariff which is uniform throughout the UK, and also to those services which are subject to price control in the interests of the public under the terms of Royal Mail’s licence. It does not include services which Royal Mail opts to provide at a uniform tariff. Nor does it include services where the price is indirectly constrained as a result of commercial competition.

This could have a significant impact on some UK charities who may find that they have to pay standard rate VAT on certain mailings which is likely to be irrecoverable. Appendix 2 lists some of the Royal Mail services that will become subject to 17.5% VAT as a result of these changes.

Action Point

Charities that use any of the postal services listed in Appendix 2 should consider if there are alternative ways of meeting their communication objectives or, if budgets need to be increased to take account of the addition of VAT.

Shared Services

At various points over the years, charities have attempted to work together to share (e.g. back office) services. This inevitably involves at least one charity charging another for the costs that it has incurred on behalf of the other which, in turn, gives rise to VAT on the resultant ‘management’ charge. Since that VAT is often irrecoverable, this has acted as a fiscal barrier to otherwise quite sensible cost sharing arrangements.

After much lobbying, the government has now recognised this problem and will work with charities and other affected sectors to consider options for a cost sharing exemption.

In fact, Article 132(1)(f) of the Principle European VAT Directive provides for such an exemption and, therefore, even if domestic law is not changed, ‘Direct Effect’ (i.e. claiming the benefit of an EU Directive through the UK courts despite there being no corresponding domestic law) means that UK charities are entitled to it. However, enforcing Direct Effect would in all likelihood be a prohibitively expensive option!

Thresholds including annual accounting etc.

From 1 April 2010, the VAT registration threshold is increased to £70,000 (from £68,000). Registration is required where the value of *taxable* supplies in the past 12 months exceed the threshold or there are reasonable grounds for believing that *taxable* supplies in the next 30 days will do so.

Voluntary income, such as donations, is outside of the scope of VAT and therefore does not contribute towards this threshold.

Penalties for late filing of returns and late payment of VAT

The Government plans to introduce a new regime of penalties for late filing of VAT returns, and late payment of tax due thereon, in a Finance Bill in the next Parliament. Introduction of the measures would take place at an unspecified date thereafter. Separate penalties will apply depending on whether returns are made quarterly or monthly.

Given that these measures may never be enacted in the form presently proposed, we will reserve giving details to a later Budget Briefing Paper.

6 Other Budget Measures

National Employment Savings Trust ('NEST')

NEST is a new body set up to administer the new State Occupational Pension Scheme set up under the Pensions Act 2008. Every employee in the UK aged between 22 and 75 and earning more than £5,035 will be automatically enrolled by their employer, unless the employer offers an alternative 'qualifying pension scheme'. The minimum employer contribution will ultimately be 3% of earnings between £5,035 and £33,540. The minimum employee contribution will be 4% with an additional 1% tax credit, meaning total contributions of 8%.

Budget 2010 announces several technical measures associated with NEST, the most important of which is the NEST will be registered with HMRC for tax purposes, so that it is subject to the same tax rules as other tax registered pension schemes (such as tax relief on contributions and investment growth).

Action Point

Charities that employ staff should increase awareness of the NEST requirements and make necessary plans for its implementation. The first auto enrolment of staff begins in 2012 for the very largest organisations. Most charities will probably not be affected until late in 2013.

Charities that already have an occupational pension scheme in place will probably want to take advice with a view to ensuring that their scheme will meet the requirements of an alternative qualifying pension scheme.

Employer supported childcare

The provision of either directly contracted childcare or provision of childcare vouchers to employees is tax exempt, provided that certain conditions are met. One of these conditions is that the arrangements are available to all staff, otherwise the tax relief will not apply.

Concern has been expressed that where this childcare is provided via a salary sacrifice scheme, it may not be available to the lowest paid workers where their salary sacrifice takes their pay below the National Minimum Wage (as to do so would be illegal).

With retrospective effect to 5 April 2005, an exception is now to be made to the 'all employees' requirement where the provision of childcare is made through a salary sacrifice scheme.

Tax thresholds held

Most of the income tax personal allowances and rate thresholds are to be held at 2008/09 levels for the coming year. The Inheritance Tax exempt amount threshold is to be held at the 2008/09 level for the next four years.

In effect, this means that if an individual's pay increases (even as a result of an inflation adjustment), they are going to be paying more tax. This may have a dampening effect on income gifted to charities over the coming year or so.

Likewise, if property or other asset values that form part of the estate of deceased persons increases over the coming four years, inheritance tax bills will increase. This could however mean an increase in the popularity of Instruments of Variation that 'redirect' part of the estate to charity (which then becomes tax exempt).

7 Measures Announced in Previous Budget Statements

National Insurance Increases

There is no change to the 1% across the board increases in employers', employees' and self employed national insurance contributions effective from 6 April 2011. These increases were detailed in our 2009 Pre-Budget Report Briefing Paper. They will reduce individual's 'take home' pay and consequently may have a suppressing effect on giving. At the same time, the cost of employing staff will increase with employer national insurance bills increasing by around 7 to 8%.

Individuals:

7.1 Additional rate of tax

Budget 2009 announced an 'Additional Rate' of tax at 50% for those earning over £150,000. Gross gift aid donations will now be relievable at the 50% rate, meaning a personal tax rebate to the donor of 30% (i.e. the difference between the Additional Rate and the Basic Rate of 20% reclaimed by the charity). There is now even more reason to persuade donors to consider gifting all or some of their rebate back to charity.

7.2 Personal allowances

Budget 2009 also announced the progressive withdrawal of an individual's personal allowance where 'adjusted net income' is between £100,000 and £112,950 p.a. Again, the gross value of gift aid donations will reduce the value of adjusted net income. The effective rate of relief in this band of income becomes 60%.

The Additional Rate of Tax and the withdrawal of personal allowances are covered in more depth in two separate Briefing Papers, available from our website.

PAYE: Late Payments

The regime of 'in year' penalties for late payment of PAYE, announced last year, comes into effect from 6th April 2010. Penalties will be on a sliding scale from 1% to 4% depending on the number of times payment is late in the tax year, with further penalties for payments that are late after 6 and 12 months.

8 Sundry Other Non- Budget Measures

Gift Aid - Reduction in time limit for Gift Aid claims

The time limit available for making gift aid tax repayment claims reduces from six years to four years with effect from 1 April 2010. The changes are dealt with in our separate Briefing Paper on the subject, available from our website.

Gift Aid - Estimated payments

Gift Aid applies to the payment of a sum of money. However, where a charity has a 100% owned trading subsidiary, HMRC accepts that, in paying all of the subsidiary's otherwise taxable profits to the charity as a gift aid payment, it can make an estimated payments up to nine months after the end of the accounting period and still treat that payment as relating to the accounting period. If the payment turns out to be an overestimate of the subsidiary's taxable profit, the charity can make a repayment to 'correct' the position. This is subject to the intention being properly documented, for example, in a profit shedding deed of covenant.

The practice on estimated gift aid payments will now to be legislated for, with effect from 1 April 2010. However, the new rules will additionally require, for estimated payments made on or after 1 April 2010, that any repayment must be made within one year after the end of the relevant accounting period.

VAT Package – Reverse charge registration

A curious impact of the so called VAT package, which came into force on 1 January 2010, is that where a charity purchases services from outside of the EU, a requirement to register for VAT, and an associated VAT liability could ensue.

The VAT Package changes the 'place of supply' rules for VAT purposes. Until 31 December 2009, the place of supply was where the supplier was resident. If this was outside of the EU (e.g. a contract with an Indian call centre handling donations), then VAT was not relevant. However, from 1 January 2010, the place of supply becomes the place where the customer is established. Now, if services are supplied to a UK charity from outside of the EU, the default position is that there is a supply for VAT purposes in the UK (i.e. where the customer is established) and, if the value of these supplies together with all other supplies that would be taxable contribute towards the VAT registration threshold.

Further, if the charity is or should be VAT registered as a result, they must charge themselves VAT (the reverse charge) and then account for this as if it were input tax. If, as is the case for most charities, they are not able to recover this VAT in full as input VAT, there will be a new, additional VAT cost to bear within the charity.

New rules on VAT partial exemption from 1 April 2010

On 8 March 2010, HMRC announced two new optional tests that VAT registered charities can apply, for VAT periods commencing on or after 1 April 2010, to simplify the VAT 'partial exemption' calculations.

Partial exemption applies to VAT registered charities that provide goods and services that include both taxable and exempt supplies for VAT purposes. The VAT on the charity's costs that relates wholly to exempt supplies is not recoverable. But where the amounts involved are small (or 'de minimis'), full recovery may be possible.

Two new de minimis tests are being introduced ("test one" and "test two") which will run alongside the existing partial exemption de-minimis test (that exempt input VAT has to be less than £625 per month on average and less than 50% of the total input tax).

The two new tests are:

- **Total** input tax incurred is no more than £625 per month on average and the value of exempt supplies is no more than 50% of the value of all supplies (i.e. VAT taxable income plus VAT exempt income).
- **Total** input tax incurred less input tax directly attributable to taxable supplies is no more than £625 per month on average and the value of exempt supplies is no more than 50% of the value of all supplies.

If you meet the tests in one year, you will be able to assume that you are de minimis for the whole of the following year, subject to the required annual calculation and adjustment.

These changes may be helpful for some charities but this is a fairly complex area and errors of principle can easily be made. Further information can be found in VAT Information Sheet 04/10 available from the HMRC website.

VAT - Cheque payments to HMRC from 1 April 2010

From 1 April 2010, all cheque payments sent by post will be treated as being received by HMRC on the date when cleared funds reach the HMRC bank account and not the date when HMRC receive the cheque.

This means allowing enough time for the payment to reach HMRC and to clear into their bank account no later than the due date. If a cheque payment does not clear by the due date, the taxpayer may be liable to a surcharge for late payment.

The purpose of the change is to encourage taxpayers to pay electronically.

Appendix 1

EU Member States

The following is a list of all Member States of the EU, plus Iceland and Norway who are members of the European Economic Area (EEA) but are not members of the EU:

- Austria
- Belgium
- Bulgaria
- Cyprus
- Czech Republic
- Denmark
- Estonia
- Finland
- France
- Germany
- Greece
- Hungary
- Iceland
- Ireland
- Italy
- Latvia
- Lithuania
- Luxembourg
- Malta
- Netherlands
- Norway
- Poland
- Portugal
- Romania
- Slovakia
- Slovenia
- Spain
- Sweden

For a charity to be eligible for UK charity tax reliefs, it will have to satisfy the revised definition of charity, and satisfy HMRC as to eligibility. Further detail is given in the body of this Briefing Paper.

Appendix 2

Postal Services – Supplies becoming taxable from 31 January 2011

The standard rate of VAT will apply to all postal services which are either -

- not subject to any price and regulatory control; or
- individually negotiated.

This includes, **but is not limited to:**

Airsure products

Application of Indicia

Big Book

Business Collections

Candidate Mail

Data management services

Departmental Billing

Docket Completion

Door-to-door (unaddressed mail)

International Admail and Admail Packets

International Business Reply Service

International Redirections

Keepsafe

Large Mail Order returns

Mailmedia

Mailroom management services

Parcelforce services

Private Boxes (collections from post boxes not owned by Royal Mail)

Royal Mail Heavyweight

Royal Mail Relay

Royal Mail Tracked

Rural Services

Sameday

Special Delivery 9.00 am

Special Delivery (Contract) (Next Day) sold to users having an account with Royal Mail