

sayer vincent newsletter

Offering support on a range of financial and IT issues through consultancy, audit and training

April 2009

This is a monthly newsletter to keep you informed of news and developments that may affect your organisation. If you would like further information on any of these topics, do please contact us on svinfo@sayervincent.co.uk

Please let us know if we need to change your contact details or if you would like us to send the newsletter to more people in your organisation. We are happy to send it to treasurers or other trustees – just send the additions or changes to svinfo@sayervincent.co.uk. Do also let us have your feedback on this format and its contents. The information contained within this e-mail is necessarily of a general nature. Specific advice should always be sought for specific situations.

Budget 2009

There was very little in the budget specifically for charities. Key changes are:

- **Substantial donors:** the six-year threshold of £100,000 for defining a substantial donor is increased to £150,000 from 23 April 2009. The one-year threshold (£25,000) remains the same and the other proposals raised by HMRC in the recent substantial donor consultation have not been implemented. However, the budget document states “Budget announces further informal consultation with the sector to develop new rules based around an effective anti-avoidance purpose test. The Government aims to bring forward proposals at the 2009 Pre-Budget Report, with a view to legislating in 2010.”
- **Hardship fund:** a new £20 million Hardship Fund will provide grant support to third sector organisations delivering front-line services to the most vulnerable and disadvantaged in society that have been affected by the recession, with demonstrable resource constraints due to cashflow difficulties through increased demand.
- **VAT threshold:** From 1 May 2009, the VAT registration threshold will be increased from £67,000 to £68,000 and the deregistration threshold from £65,000 to £66,000.
- **First-year capital allowances:** a first-year capital allowance of 40% for one year will apply to expenditure that qualifies for the main capital allowances pool (i.e. plant and machinery). This will be on top of the annual investment allowance.
- **Business rates:** Businesses will be able to spread the payment of the 2009-10 inflation up-rating of business rates over three years. As announced at the 2008 Pre-Budget Report, certain businesses facing significant backdated business rates bills issued before 31 March 2010 can pay over eight years interest-free.
- **Trading loss carry back:** trading loss carry-back for businesses will be extended from one to three years for losses up to £50,000, for two years from 24 November 2008 for companies and tax years 2008-09 and 2009-10 for unincorporated businesses, extending the 2008 Pre-Budget Report announcement.
- **Additional information requirements:** HMRC will require those who have incurred a penalty for deliberate understatement of over £5,000 of tax to provide more information about their tax affairs for up to five years to ensure they have proper systems to be able to make a correct tax return.
- **Income tax:** From April 2010 an additional rate of income tax of 50% will apply to income over £150,000, with a rate of 42.5% for dividend income. This replaces the introduction in April 2011 of the 45% rate announced at the 2008 Pre-Budget Report. The tax rate applicable to trusts will increase to 50%; and the income tax personal allowance will gradually be restricted for those with incomes over £100,000. The personal allowance will be reduced at a rate of £1 for every £2 over £100,000 until completely withdrawn. This replaces the two-stage withdrawal announced at the 2008 Pre-Budget Report.
- **Pensions tax relief:** from April 2011, tax relief on pension contributions will be restricted for those with incomes of £150,000 and over. From that level of income, the value of pensions tax relief will be tapered down until it is 20% for those on incomes over £180,000. This restriction applies to all contributions, including employers', but employers will continue to receive full relief on their contributions into employees' pensions through corporation tax and NICs.

VAT - Changes to the standard partial exemption method

From 1 April 2009 partially exempt organisations using the standard partial exemption method are able to benefit from several changes:

- Organisations can now use a provisional business recovery rate in each VAT return. Previously this would have been considered a “special method” requiring HMRC approval. The provisional rate is the rate determined in the previous year’s annual adjustment. The VAT recovery for the year is then corrected in the next annual adjustment in the normal way, with the new recovery rate being used on a provisional basis in the next year. Organisations can still use the actual recovery rate in each VAT return though the approach taken must be consistent throughout the VAT year.
This change makes it much more straightforward for organisations using the standard method to set accounting system VAT codes so irrecoverable VAT follows the associated expenditure and does not have to be apportioned out every quarter. There will still need to be an apportionment for the annual adjustment VAT however this will usually be a relatively small amount.
- The annual adjustment can now be done in the last VAT return of the VAT year or the first VAT return of the next VAT year

There are one or two other changes which will only apply in very specific circumstances – contact us if you have queries. The full HMRC guidance on the changes can be accessed by [clicking here](#).

VAT - payments for unlimited access to leisure trust facilities

Previously HMRC took the view that where a leisure pass provides unlimited access to a range of standard-rated and exempt leisure facilities the pass charge was standard-rated. HMRC have now changed this view. They now consider the pass to be a single supply of the predominant element from the viewpoint of the typical customer. In most leisure trust situations the predominant element for the typical customer will be the exempt leisure facilities and so the pass will be exempt. Affected businesses are instructed to make changes from 1 April 2009. Affected businesses may also be able to make a claim for overpaid VAT. For the full HMRC guidance [click here](#).

VAT – staff hire concession

The government has gone ahead and abolished the staff hire concession despite strong objections from the charity sector. The staff hire concession allowed agencies providing temps to charge VAT on the commission element only and not on the salary element. From 1 April 2009 VAT must be charged on the whole fee - salary plus commission (except for nursing temps for whom a different concession is still in place). HMRC have released some guidance on the practical impact of the change ([click here](#) for the guidance). One key point is that invoices spanning the change (1 April 2009) can be apportioned so there is no VAT on the salary element before the change.

PAYE - benchmark scale rates for meal allowances

Employers have long been able to agree scale rates for expense allowances paid to employees under a P11D dispensation. However, until recently HMRC expected employers to conduct a sampling exercise to determine appropriate scale rates. HMRC have now published benchmark rates that any employer can use without the need to conduct a sampling exercise. The rates only cover meal allowances and must be covered by a dispensation. The employee must be on a business trip and must incur a meal cost after starting the journey (so no allowance for packed lunches taken from home) however there is no need to obtain or keep receipts. There are four rates, a breakfast rate (£5) for early starts, a one meal rate (£5) for absences of up to five hours, a two meal rate (£10) for absences of up to 10 hours and a late evening rate (£15) for late finishes. For the full HMRC guidance [click here](#).

VAT - changes to the Tour Operators’ Margin Scheme

HMRC have announced several changes to the Tour Operators’ Margin Scheme (TOMS) as a result of concerns raised by the EC. Many charities providing challenge events as principal or undisclosed agent must use TOMS to account for VAT. The changes will take effect from 1 January 2010. Perhaps the most significant change is the acceptance that businesses can use a market value based apportionment where there is a mix of in-house and margin scheme supplies and there is an appropriate way of determining the market value of the in-house component. This finally implements the 2005 ECJ decision in MyTravel PLC (C-291/03). The tertiary legislation in VAT Notice 709/5 will be updated in due course. Contact us if you have concerns about how TOMS may affect you. For the full details of the changes [click here](#).

Tax update – 30 April, Bristol

All the above changes and more will be covered in this tax update. Sayer Vincent tax experts will help you to understand the latest rulings and tax cases affecting charities. The session will also act as a refresher looking at VAT, gift aid and other tax issues for charities and will cover new cases and current developments. This half day seminar is free to Sayer Vincent clients, £75 plus VAT to others. To book a place [click here](#)

Sure you are effectively responding to change during these uncertain times?

Come to the Adaptive Performance Management Conference on 25 June 2009 where we have brought together two leading internationally renowned speakers to give a valued insight in to how you can unlock your performance potential. The conference aims to provide CEOs and senior managers with the opportunity to share learning and hear about responsive ways of working through a mix of plenary sessions and meaningful discussions with peers. Adrian Poffley, Chief Administrative Officer for the HR Vice presidency at the World Bank, will give insights in to maximising impact during these tough economic times. Bjarte Bogsnes, a leading internationally renowned speaker and chairman of the Beyond Budgeting Round Table in Europe, will take us through the journey of beyond budgeting to liberate you from micromanagement to help achieve effective performance within your organisation. To view the full programme and to book places [click here](#).

Managing finances in challenging times – 2 July 2009

During tough economic times it is important to ensure your charity is doing all it can to manage its finances in a prudent way, but still allows you to make the most of opportunities. Leading sector specialists, Pam Craig of Sayer Vincent and Ian Oakley Smith of PwC, will address these issues at The Trustee Conference 2009, by demonstrating how to monitor your financial health and help you to identify the early warning signs. The conference will also bring together leading figures to give an insight in to how to effectively respond to the challenges that lay ahead, addressing funding, risk and accountability issues. To view the full programme including a booking form, [click here](#).

Business cases made simple

The next guide in the made simple series focuses on business cases and is available on the Sayer Vincent website to [download](#). This particular guide will help you put together a business case to support good decision-making, particularly for investment in IT. If you are embarking on the development of a business case and would like to speak to a specialist to ensure that it meets the appropriate requirements for decision making, [contact us](#).

Charity accounting – 6 May 2009, Bristol

This one-day workshop aims to provide participants with an overview of charity accounting, the key stages in drafting a set of year end accounts and tips on how to prepare for the audit. This workshop is designed for finance staff who may be new to an organisation or the sector, or those who need a refresher. The workshop will include an opportunity for questions as well as case studies and practical exercises.

To book a place, [click here](#).

Managing supporter relations – 1 July 2009

The International Charities Forum is a supported network of international non-governmental organisations with a common interest in improving the effectiveness of charities that work in international development. The next discussion will focus on managing supporter relations and the use of packages to help develop closer ties with regular supporters. To express an interest in attending this afternoon discussion, taking place in London, [click here](#).

Introduction to Adaptive Performance Management – 20 May 2009, London

This session will look at current methods of planning, budgeting and management accounting and suggests alternative ways for finance to contribute to the management of performance in their organisations. To book a place or for further information, [click here](#).

Adaptive Performance Management Forum 2009/10

The Forum is a supported network of member organisations with a common interest in improving planning, budgeting and through this, step change improvements in overall performance. It is helping organisations look at best practice and is helping them to help each other in developing potentially radical solutions to some of the constraints of the traditional approaches to planning by sharing information, past successes and implementation experiences. The programme consists of a series of four afternoon workshops:

- Introduction to Adaptive Performance Management – 20 May 2009 or 20 January 2010
- Forecasting – 8 July 2009
- Performance management – 9 September 2009
- Resource allocation – 24 February 2010

For further information about forum and to book a place [click here](#).

Understanding the voluntary sector – 9 July 2009, London

Organised by CFDG, the day is intended as an induction for finance professionals new to the charity sector. The day will provide the opportunity to learn from experienced advisers about the environment in which charities operate and the particular aspects of their governance, management and finances which makes them different to businesses and the public sector. The session will be delivered by Kate Sayer of Sayer Vincent and Moira Protani of law firm Wilsons. For further details and to book a place, [click here](#).

Charity Accountants' Conference, Leeds 17-18 September 2009 – Helping you to get fit for the future!

Focused on practical training workshops plus technical updates, this conference will help you to get fit for change and able to respond to challenges. There will be a choice of longer sessions for hands-on workshop training sessions as well as roundtable interest groups, one-to-one advice surgeries, software demonstrations, training in softer skills and free resources. Attendance qualifies for at least 10 hours CPD. Prices have been pegged to 2007 levels. The full programme and booking form is now available to download by [clicking here](#).

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