

# Charities and Non-Profit Update



## Charitable Incorporated Organisations

### Gift Aid 2010/11

There have been a number of changes in the Charities and Non Profit sector recently.

### Charitable Incorporated Organisations

The Charities Act 2006 included the provision for the introduction of a new legal form of incorporation which has been specifically designed for charities, known as the Charitable Incorporated Organisation (CIO).

Originally anticipated for Summer 2008 and then Spring 2010, the CIO has been subject to continuing delays. The date of commencement for CIOs is still to be confirmed, but according to the Third Sector, it is not now expected to be before late 2010 or early 2011.

The purpose of the CIO is to combine the advantages of having a corporate structure (e.g. reduced risk of personal liability) without the burden of dual regulation (the Charities Act and Companies Act). They will be subject to the Charities Act and the Charities Commission only. CIOs will be required to register with the Charity Commission regardless of their level of income.

### Gift Aid 2010/11

#### Income tax changes

With effect from 6 April 2010, taxable income exceeding £150,000 will be taxed at 50%. For taxpayers in this band, a Gift Aid donation will become more attractive.

The Charity and Voluntary Sector Group

issued the following useful table illustrating the implications of the change:

	2009/10	2010/11
<b>Donation</b>	£1000	£1000
Gross donation £1,250 (ignoring transitional supplement)		
<b>Higher rate tax relief</b>		
(40% - 20% basic x £1,250)	£250	
(50% - 20% basic x £1,250)		£375
<b>Net cost to donor</b>	£750	£625

Furthermore, where an individual's gross income after trading losses exceeds £100,000, the personal allowance is reduced by £1 for every £2 above £100,000 until it is completely removed. Therefore, for incomes between £100,000 and £112,950, there will be a marginal rate of 60% and a gross donation of £1,250 will cost the donor £500

### Time limits for claims

As of 1 April 2010, the time limits for making a gift aid claim have reduced.

- For a charitable trust, the claim must be made no later than four years after the end of the tax year to which the claim relates.
- For charitable companies, the claim must be made no later than four years after the end of the accounting period to which the claim relates.

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## Gift Aid Transitional relief

The Gift Aid 'transitional relief' was introduced to adjust for the fall in basic rate income tax from 22% to 20%. HMRC will automatically pay an additional 3p for every £1 donation made to the charity between 6 April 2008 and 5 April 2011.

## LONDON

10 Orange Street  
Haymarket  
London  
WC2H 7DQ

**T** +44 (0)20 7312 0000  
**F** +44(0)20 7312 0022  
**E** advice@shipleys.com

## GODALMING

3 Godalming Business Centre  
Woolsack Way  
Godalming  
Surrey  
GU7 1XW

**T** +44 (0)1483 423607  
**F** +44 (0)1483 426079  
**E** godalming@shipleys.com

## SAFFRON WALDEN

Market House  
10 Market Walk  
Saffron Walden  
Essex  
CB10 1JZ

**T** +44 (0)1799 521301  
**F** +44 (0)1799 523854  
**E** saffron@shipleys.com

## BIRMINGHAM

2nd Floor  
3 Brindley Place  
Birmingham  
B1 2JB

**T** +44 (0)121 698 8566  
**F** +44 (0)121 698 8600  
**E** birmingham@shipleys.com



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