

# Charity News



October 2011



**Carol Rudge**  
Head of Charities and Not for Profit  
T 020 7728 2400

## Latest Charity Commission report 'Charities Back on Track' published

**This report from the Commission, published on 22 September, looks at its compliance and investigations work and regulatory casework.**

The report shows the number of serious incidents being reported to the regulator has nearly doubled over the past year. The report highlights the continuing problems occurring in charities where they do not get the fundamentals right, namely:

- poor financial management
- inadequate financial controls
- failure to put in place proper safeguards for vulnerable beneficiaries
- serious failings in trusteeship and governance.

**To access the report, please go to the following link**

**[http://www.charitycommission.gov.uk/RSS/News/pr\\_backontrack.aspx](http://www.charitycommission.gov.uk/RSS/News/pr_backontrack.aspx)**

## Recent changes to the VAT treatment of salary sacrifice arrangements

**If your organisation has salary sacrifice arrangements with its employees it is likely that the following change in VAT treatment will affect you.**

Following a decision in the European Courts of Justice in the case of Astra Zeneca, HM Revenue & Customs (HMRC) have issued guidance on the VAT treatment on salary sacrifice benefits provided by a business to its employees from 1 January 2012.

HMRC guidance states that employers providing salary sacrifice arrangements are providing a supply to their employees. In practice, if the benefit being provided by the employer is standard rated it will have to account for VAT. Examples of benefits that would be liable to a VAT charge are: computers, cycles and most vouchers.

In summary, an employer could either treat the salary

sacrificed as VAT inclusive and pay the VAT amount to HMRC. Alternatively, it could pass on the VAT cost to its employees by increasing the salary sacrificed by the VAT amount.

HMRC have now introduced transitional arrangements. These will apply to any salary sacrifice arrangements in place from 28 July 2011. HMRC will allow existing agreements to run their course with no adjustment required from 1 January 2012. However, if the employees remuneration package or employment terms are reviewed or changed, employers will be expected to take the changes into account.

This is a complex area of VAT with many questions still unanswered, for specific advice please contact Andrea Sofield, Head of NFP VAT or your usual VAT contact.

## Are charities up for the Social Impact challenge?

**Social Impact Bonds (SIBs) offer the potential to provide charities with an alternative source of investment to support innovative projects that tackle social problems.**

Through SIBs and other Payment by Results commissioning models, the UK government is leading the way internationally in testing new funding mechanisms and commissioning approaches to pay for services that deliver social benefit, and ultimately savings to the public purse.

Despite there being only one SIB in existence to-date aimed at tackling re-offending at Peterborough Prison, SIBs have been the hot topic of conversation within government department across Whitehall and internationally. The potential that SIBs could provide to scale and expand services as long as they can prove that they work is now beginning to be recognised.

A SIB is an innovative funding mechanism that brings together commissioners and providers in an outcome based contract, supported by finance from philanthropic and potentially commercial investors. Whilst a SIB is not strictly a bond as there is no guarantee that investors will get a return on their investment, it represents a potentially attractive means of aligning the interests of government, service providers, and investors interested in achieving a

social return on their investment.

For commissioners who make a commitment to pay for the service, and a share of the associated savings, only when the outcome has been achieved, measured and attributed to the service/ project, the risk associated with success is transferred to providers and investors.

For charitable service providers, SIBs offer the potential to scale and develop their portfolios by meeting some of their investment, infrastructure and innovation needs, with added benefits of getting commercial expertise from the investment community to strengthen delivery and management approaches.

SIBs will need to attract a particular type of investor, one that is less concerned with maximising financial returns but is content with a blend of social value and financial return. A key challenge for SIBs in the UK will be stimulating the small but growing social investment market and providing the right level of assurance for the investment community that their investment is delivering social value and is financially secure.

Whilst it is still early days for SIBs, and they may involve complex negotiation to set up, charities should be exploring if and how a SIB can fit within their fundraising portfolios.

We would be delighted if you would like to join us at our final seminars of 2011.

### Seminar programme

#### Tax/VAT/employee issues update

Our tax seminar will provide an update on developments in direct taxes, VAT and an update on employee issues as they affect the sector, as well as providing timely reminders on topical issues.

#### London

**Wednesday 16 November 2011**

3.30pm Registration and coffee  
4.00pm Seminar commences  
5.30pm Drinks and canapés

#### Charity topical update

This session will concentrate on key charity sector issues and developments over the past year.

#### London

**Wednesday 7 December 2011**

3.30pm Registration and coffee  
4.00pm Seminar commences  
5.30pm Drinks and canapés

#### Birmingham

**Thursday 8 December 2011**

2.30pm Registration and coffee  
3.00pm Seminar commences  
4.30pm Drinks and networking



#### Birmingham

Enterprise House  
115 Edmund Street  
Birmingham B3 2HJ

**T** 0121 212 4000

**F** 0121 212 4014

#### RSVP

**E** nita.hollett@uk.gt.com

#### London

Grant Thornton House  
Melton Street  
Euston Square  
London NW1 2EP

**T** 020 7383 5100

**F** 020 7383 4715

#### RSVP

**E** ava.kimpton-pasfield@uk.gt.com



Grant Thornton

© 2011 Grant Thornton UK LLP. All rights reserved. 'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership. Grant Thornton UK LLP is a member firm within Grant Thornton International Ltd ('Grant Thornton International'). Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered by the member firms independently. This publication has been prepared only as a guide. No responsibility can be accepted by us for loss occasioned to any person acting or refraining from acting as a result of any material in this publication.

[www.grant-thornton.co.uk](http://www.grant-thornton.co.uk)

20889