

June 2009

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P11Ds and Class 1A NIC due 19 July 2009 for any taxable benefits provided to employees

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Accountancy for charities  
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Surviving the recession

*Find out about the help we can provide to get you through the recession*

### Contact Us

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## VAT and grants

Charities should take care as they may need to be VAT registered. Often grants (which are not subject to VAT) are actually more like supplies of services (which are subject to VAT). Key things to consider are whether you have signed a Service Level Agreement, which contains restrictions on how the money is used and obligations that the charity must meet in order to continue to receive the money. If you breach the agreement, can you be sued?

If, on the other hand, the money is for a pre-existing activity or the charity has defined the activities it will deliver and how the money will be spent, then it is likely to be considered as a grant.

Not sure whether your income is actually making you liable to be VAT registered? Look at the Service Level Agreements or contracts and see if there is a clause that specifically mentions VAT.

About to sign a contract – remember to get it checked over first so that any clauses that won't be beneficial for your charity can be reworded. If you would like us to review your VAT position please [contact us](#).

## A new role for charities and social enterprises?

As the recession continues it may be time for charities and social enterprises to consider new ways of income generation. One such way is Social Investment – investment that will further the objects of the organisation.

An example of this is an organisation that aims to reduce unemployment which might invest in new businesses and social enterprises as they will provide jobs for local unemployed individuals.

## CIC consultation

The CIC (Community Interest Company) regulations are currently being reviewed. You have the opportunity to respond to the consultation, which is seeking views on a number of proposed amendments.

Proposals include looking at reviewing the cap on dividend payments and performance related interest payments, given the now much lower Bank of England base rate, which many people see as a barrier to investors who would be looking for a greater return than the 5% currently available.

## Out and about

Harris & Harris were out and about at the Surviving the Recession event at BVSC presenting about full cost recovery, supplier reviews and loan finance. Feedback from those attending included, "The best explanation of full cost recovery I've ever heard.". Visit our website for our [loan factsheet](#).

## Self employed versus employed

HM Revenue and Customs have an employment status indicator which can help determine whether a person should be treated as an employee or as self employed. Employees would then be subject to PAYE and self employed individuals would be taxed under self assessment.

The risk of incorrectly treating someone as self employed, and not deducting tax and National Insurance contributions from their payments, when the person should have been treated as an employee means the employer will receive an unexpected tax and National Insurance bill, plus penalties and interest.

The employment status indicator is available at [www.hmrc.gov.uk/calcs/esi.htm](http://www.hmrc.gov.uk/calcs/esi.htm) and the results can be used in the event that HMRC enquire into the employment status of an individual (except directors, agency workers and individuals providing services through intermediary companies).