

# Charity Insight

SUMMER 2018

HAWSONS CHARTERED ACCOUNTANTS



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# Introduction



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## Welcome to our Summer 2018 Charity newsletter

What a summer it has been. Some of the hottest days in recent memory over a consistently dry summer have I'm sure had many an employee gazing enviously out of their office window.

Unlike the (usually) stable summer, the UK economy has been somewhat up and down over the last few months. Although pockets of strength exist within the economy, wage growth is still not as high as targeted and the Bank of England's second interest rate rise has put greater pressure of household finances. The one large cloud looming on the horizon is the possibility of a no-deal Brexit. Two potential consequences are an increase in inflation and reluctance by investors to invest in the UK economy during a time of economic uncertainty. Of course it could also all just end up being a storm in a teacup, but only time will tell.

We hope you enjoy our summer newsletter and, as always, please get in touch if you would like any further information .

## Hawsons are specialist charity accountants

At Hawsons we recognise that not-for-profit organisations have very different requirements from other businesses and are currently exposed to a challenging economic climate. Our dedicated team fully understands the complex, ever-changing regulatory requirements of the charity and not-for-profit sectors. Given the additional pressures on fundraising, complex tax regimes, internal risk exposure and stakeholder demands, it has never been more important to obtain specialist professional advice.

Our specialist team acts for a large number of charitable and not-for-profit organisations across each of our Sheffield, Doncaster and Northampton offices.

**For more information on our charity and not-for-profit expertise, including the services we offer and our experience, please visit: [www.hawsons.co.uk/charities](http://www.hawsons.co.uk/charities)**



# CHARITY TRUSTEES AND RISK MANAGEMENT- PLANNING FOR THE UNFORESEEN

## Responsibilities and duties

The voluntary aspect of a trusteeship is one of the key principles of the role. However, trustees are also increasingly expected to adopt a professional approach and to be aware of the legal responsibilities of their role. They are ultimately responsible for everything a charity does and they can be held legally accountable for any decisions they make. This is something that may be challenging for many trustees. This was shown in the survey conducted by Third Sector Insight, who noted that despite being aware of their responsibility for risk management, few trustees have any specific management training. It was also made apparent that almost a third of those charities surveyed have no crisis management plan in place.

### THE CHARITY COMMISSIONER OUTLINES THE SIX MAIN DUTIES OF A TRUSTEE:

- Ensuring your charity is carrying out its purpose for the public benefit
- Complying with your charities' governing document and the law
- Acting in your charities best interest
- Managing your charities' resources responsibly
- Acting with reasonable care and skill
- Ensuring your charity is accountable.

“ Trustees are ultimately responsible for everything a charity does and can be held legally accountable for the decisions they make ”

*The Guardian*

*(Source: The Third Sector)*



# Risk Management

Risk management is the process of identifying and assessing risks and deciding how best to deal with them. It is the law that non-company charities with incomes of £500,000 or more must include a risk management statement in their trustees' annual report (this also included charities with incomes above £250,000 plus gross assets over £3.26 million). The Charity Commission advises that it is good practice for smaller charities to report on their risk management activities too. By establishing a strong risk management process from the start and involving trustees, it minimises the chances of something going wrong. To be effective, it is vital that the risk management plan is kept up to date and regularly reviewed.

What risks your charity faces will depend on factors such as its size, funding, and activities. It is thought, from the survey conducted by Third Sector Insight, that the biggest risk charities face is termination of funding from other bodies. But by putting a risk management plan in place, you can identify your own potential risks and the seriousness of them. From this, you can plan what actions you need to take to mitigate such risks.

As well as planning for current risks, it is important to identify any emerging risks. Remember that emerging risks can also involve internet and cybercrime such as hacking or online fraud. This type of risk management requires more abstract thinking to see what the next issue or threat could potentially be.

## Worst Case Scenario

Even if you have a strong risk management plan in order, things can still go wrong. Therefore, it is important that in this situation you have a strong crisis management plan to fall back on. A crisis could include a decline in funding and donations as well as damage to reputation due to an unforeseen incident or fraud.

The impact fraud can have on a charity can be significant. It can have a detrimental effect on finances and cause distrust with beneficiaries, donors, funders and the general public. To help ease the impact of such an event, a strong communication and public relations plan is important. This can involve having pre-prepared templates to use for making statements to the press or for your website.

## Insurance

If your charity does find itself at crisis point, having insurance can help protect you and your funds. Fidelity insurance covers charities against loss of money and from employee or volunteer fraud. They can also offer advice on the usual standards of financial controls required to help damage the risks of fraud. However, it is important to note that this should not be used as an alternative to risk management.



# Requirement to Correct: time is running out to disclose

'Requirement to Correct (RTC)' legislation requires UK taxpayers to ensure that all foreign income and assets, where there may be UK tax to pay, have been correctly declared to HMRC by **30 September 2018**.

HMRC will impose very harsh penalties for those who fail to comply with the RTC. So it is vital that anyone who has offshore interests urgently reviews their tax affairs to ensure they are fully compliant.

HMRC will soon be in possession of extensive information on offshore income and assets, obtained predominantly through information sharing with other jurisdictions, which will enable HMRC to identify and address non-compliance.



# What You Need To Know...

## Who Is Impacted?

Individuals, trustees, partnerships and companies with offshore interests. The RTC relates to an offshore matter or offshore transfer which was committed on or before 5 April 2017.

## Which Taxes Are Included?

Income Tax, Capital Gains Tax and Inheritance Tax (although all tax liabilities should be brought up to date).

## Failure To Correct

Those who fail to disclose offshore discrepancies by **30 September 2018** will fall into the 'Failure to Correct' regime which brings with it some very harsh penalties. Penalties for the failure to correct will start at 200% of the tax liability (these can be reduced but to no lower than 100%). In serious cases, an additional penalty of up to 10% of the value of the relevant asset will apply, and taxpayers may also suffer the reputation damage of being 'named and shamed' on a public website



## What Do I Need To Do?

RTC is wide reaching and applies whether the non-compliance is due to deliberate motives or carelessness. For anyone who is not absolutely certain their offshore affairs are compliant, they should review their tax position and make any necessary disclosure or correction to HMRC before 30 September 2018.

## How Can Hawsons Help?

Hawsons can assist with performing health checks, preparing outstanding returns, advising on relevant liabilities and assisting with disclosures to HMRC. For more information please get in touch with your usual Hawsons contact.

# Cryptocurrency and Tax

## Bitcoin

### What Is Cryptocurrency?

Historically, money has taken many forms; from being recorded in physical ledgers to now being entered electronically into a bank's books, money has had to evolve and change with society for ease of transaction and consumer purchase. Card transactions have now overtaken cash payments in UK stores, and of card purchases, around a third are now contactless.

Enter cryptocurrencies. These currencies use encryption technology (cryptography) in the process of its creation, ensuring security of transactions, but also the prevention of additional, unlicensed units.

After purchasing a cryptocurrency, it gets placed into a digital wallet, where the currency is held, and the owner can spend the currency, as the wallet holds both the private and public encryption keys.

This also means that there is a public record of bitcoin transactions, but while all the transactional information is in the public, the involved parties remain private as they transact under pseudonyms called *cryptocurrency addresses*. We can see time, volume, and involved addresses, but don't learn the individual's private information

Over the past five years, the most prevalent and popular cryptocurrency is Bitcoin. It was founded in 2009, and was first released in open-source software, allowing developers to use and develop their own ways of transferring the currencies between individuals. It was truly revolutionary as a currency, as it is a global currency, and is totally independent of any central authority or bank. It's traded directly between individuals, without any interference from an intermediary, it theoretically means the transaction is much safer.

However, as with anything of monetary value, there are implications with regards to tax, and what you will need to pay if you are involved in the exchanging, purchasing or selling of any cryptocurrency.

### Tax Implications of Cryptocurrencies

#### Capital Gains Tax (CGT)

The HMRC brief on cryptocurrency states that "if a profit or loss currency is not within trading profits or otherwise within the loan relationship rules, it would normally be taxable as a chargeable gain or allowance for CGT if they accrue to an individual or, for Corporation Tax (CT) on chargeable gains if they accrue to a company".



So...basically, unless you declare yourself as a trader to HMRC, you are considered an investor and your annual gains are subject to Capital Gains Tax.

Remember that even if you make less profit than the CGT allowance but have sold more than four times the allowance worth in cryptocurrency, then you have to report this to HMRC as above.

If you have made more than the CGT allowance then you will have to report and pay tax on your gains. Bear in mind that every single trade you make – even crypto to crypto – impacts tax calculations.

Additionally, to calculate the CGT on these transactions, you have to convert everything to GBP value at the time of the transaction, and then continue your calculations from that point. So if you have made a significant number of trades, it is probably worthwhile getting a tax adviser just to make sure you get things right.

## Corporation Tax (CT)

The guidance given by HMRC is that a trading activity will continue to be assessed on the basis of preparing profit and loss accounts to determine taxable profit and the value of goods bought or sold using virtual currencies must still be accounted for at their market value or the exchange value of the virtual currency converted into UK pound sterling.

Bitcoin can be held as an investment or to pay for goods or services and HMRC have noted that 'in the UK, there are already a number of outlets, including pubs, restaurants and internet retailers that accept payment by Bitcoin.

## Case by Case Basis

Looking at all of the tax implications of cryptocurrency on an individual basis. Taking into account specific facts and circumstances is pretty much the only way forward when considering the taxation of cryptocurrencies. The overall reality of the situation is that most cryptocurrency is owned on a personal basis, and the owner of the cryptocurrency should not try to avoid tax. At this point, it's better to "over" disclose information to HMRC than "under disclose".



Keep up to date with  
cryptocurrency news at:  
<https://www.hawsons.co.uk>



# HMRC publish further information on Making Tax Digital (MTD).

HMRC have released further information on Making Tax Digital (MTD) in the run up to the introduction of MTD for VAT in April 2019. This includes a new HMRC VAT Notice providing some additional clarity for businesses and a list of software providers that have demonstrated a working prototype of their product. Is your business ready for the introduction of MTD?

## New HMRC VAT Notice

The VAT Notice reaffirms that businesses with a taxable turnover above the VAT threshold (currently £85,000) will be required to comply with the digital record keeping and return requirements of MTD for VAT from **April 2019**.

From April 2019 some business records will need to be kept digitally within functional compatible software. This is a software programme that is able to record and preserve digital records, provide information and returns to HMRC by using the Application Programming Interface (API) platform and receives information from HMRC via the API platform.

## Digital links

The Notice states that in the first year of mandation businesses will not be required to have digital links between all parts of their software programs if they use multiple software programs. (The only exception is where data is transferred, following preparation of the information required for the VAT Return, to another product that is API enabled solely for the purpose of submitting the 9 Box VAT Return data to HMRC). For the first year of mandation, where a digital link has not been established between software programs, HMRC will accept the use of cut and paste as being a digital link for these VAT periods.

**Please note that this relaxation does not extend to the actual submission of the VAT return itself which must be through API-enabled software.**

## Software

Businesses will be required to use a third-party software programme which can connect with HMRC's systems via the Application Programme Interfaces ("API") platform. HMRC will not be offering software.

HMRC have now released a list of software suppliers that have tested their products in HMRC's test environment and have already demonstrated a prototype of their software to HMRC.

You will need to ensure that the software you are using to submit your VAT returns is MTD compatible.

## How can Hawsons help?

We can help you to review your current VAT record keeping arrangements and identify the changes that will be necessary to comply with the requirements of MTD.

If you wish to discuss the implications of MTD for you and your business, please get in touch with your usual Hawsons contact.

**In order to ease you through the transition, Hawsons are running free Making Tax Digital Workshops in the Sheffield, Doncaster and Northampton offices. To sign-up go to:**  
**[www.hawsons.co.uk/making-tax-digital-workshop/](http://www.hawsons.co.uk/making-tax-digital-workshop/)**



# Hawsons appoint Craig Burton as Partner



Hawsons Chartered Accountants are delighted to announce the appointment of Craig Burton as a new Partner in the firm.

Craig is a highly experienced corporate advisor and auditor, having worked with a number of national and international firms. Craig's career spans over 23 years and has included stints in Cape Town, South Africa and Vilnius, Lithuania. More recently Craig has been a partner at a national firm in its Sheffield and Leeds offices.

Craig will join the Hawsons partner team and be primarily based in the Sheffield office – he will work closely with the other partners and staff to deliver exceptional clients service to both existing and new clients.

Martyn Weatherall, Hawsons' Senior Partner, said: "We are delighted to welcome Craig as a partner in the firm. He brings a wealth of experience and will assist in growing the firm's client base and expertise. Craig will be a valuable addition to our strong partner team and will be of great benefit to our clients and our firm."

Craig added: "I am delighted to be joining the exciting team at Hawsons. The firm is at an interesting point in its 164 year history and I look forward to contributing to the firm providing the highest level of service to its clients and continuing to be a leading independent practice in the Sheffield City Region"

Craig is a commercial partner based in our Sheffield office. Craig delivers exceptional client service by building strong relationships, through regular and clear communication and by providing pragmatic solutions.

You can contact Craig at [cmb@hawsons.co.uk](mailto:cmb@hawsons.co.uk) or on 0114 266 7141



# Get in touch...

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## Sign up to continue receiving updates from Hawsons...



### **Why do I need to sign up...again?**

Due to the new General Data Protection Act (GDPR), that comes into force on the 25 of May 2018, we need confirmation that you are still happy to receive our updates, newsletters and events.



### **What do I need to do?**

Just fill in your details to confirm that you still want to receive our updates, events and newsletters. It only takes a minute, and will mean you stay in touch with us:

<http://www.hawsons.co.uk/newsletter/>



### **Anything else?**

Not at all! Although...you can follow us on social media to stay even more up to date with everything that we're up to here at Hawsons.

**Disclaimer:** All information in this publication is of a general nature and may not be applicable to your own specific circumstances. We will be pleased to discuss your specific circumstances or requirements in more detail. If you would like to discuss anything with us, please contact us. Whilst every care has been taken to ensure that all information in this publication is accurate, no liability is accepted for any loss or damage, howsoever arising from the use or non-use of any information on this site.



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