

Draft Update Bulletin 2: Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)

Response by the Charity Tax Group – 4 April 2018

About us

The Charity Tax Group (CTG) has over 600 members of all sizes representing all types of charitable activity. It was set up in 1982 to make representations to Government on charity taxation and it has since become the leading voice for the sector on this issue.

CTG welcomes the opportunity to respond to this consultation and would be happy to arrange a meeting to discuss our answers in greater detail.

General observations

CTG has often been approached by its members in recent years about the way in which their trading subsidiaries should account for corporate Gift Aid payments. So, while this issue is one of accounting treatment rather than tax we are providing you with our perspective on this matter.

The key concern before the proposals in FRED 68 were published was that different auditing firms required different treatments from our members. For those charged with preparing the accounts this caused much concern and led to many treatments that our members did not think made sense.

For this reason, we supported the changes proposed by FRED 68 as they would result in much needed alignment in accounting for corporate Gift Aid payments. However, we are concerned that the introduction of the FRED 68 proposals could result in confusion over the implementation of the new requirements. This runs the risk of inconsistency that the proposals were meant to deliver us from.

We are therefore keen to see an implementation period for any changes relating to the FRED 68 requirements. It would seem to make sense for this to take effect for accounting periods beginning after 1 January 2019 – the same time frame as for the other changes in FRS102.

We also see the need for clear guidance about how the changes should be implemented be that from the Charity SORP making body or the FRC itself. At the moment, this issue seems to be falling between stools. While it can be argued that this is a 'for profit' accounting issue it has deep importance for charities and we would be grateful if the SORP Making Body could champion the need for implementation guidance.

Furthermore, we are concerned that the implementation of the new requirements might be considered to be no more than a clarification of the treatment that should always have been adopted. This suggests that accounts where a Gift Aid liability was accrued for as a constructive obligation were prepared in error which we do not believe was the case.

The voice of charities on Tax

Charity Tax Group
Church House
Great Smith Street
London SW1P 3AZ

T +44 (0)20 7222 1265
E info@charitytaxgroup.org.uk
Follow us @charitytaxgroup
www.charitytaxgroup.org.uk

Charity Tax Group Limited
Registered in England, No. 08028281

While all efforts are made by the Charity Tax Group to give assistance to its members, it is not qualified to give technical advice on fiscal matters and cannot therefore be liable in any way for any such advice given.