

## **CLAS CIRCULAR 2015/14 (9 July 2015)**

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## BUDGET 2015 Mk2

For information

On Wednesday the Chancellor announced his second Budget for 2015. The following may be of interest to CLAS members.

### Generally

- The basic-rate personal allowance for Income Tax will be raised to £11,000 from 2016 and the higher-rate threshold to £43,000. The higher-rate buy-to-let interest relief on mortgages will be phased out.
- The Government will legislate to ensure that once the personal allowance reaches £12,500 it will be uprated in line with the National Minimum Wage, ensuring that anyone on the NMW working 30 hours per week or less does not pay income tax. There will also be a review of the NMW timetable to align it with the tax year.
- From April 2017, there will be a new transferable nil-rate band for Inheritance Tax which will apply when a main residence is passed on death to direct descendants, such as a child or grandchild. The allowance will be up to £100,000 in 2017-18, up to £125,000 in 2018-19, up to £150,000 in 2019-20, and up to £175,000 in 2020-21. This is in addition to the IHT nil-rate band, which is set at £325,000 for the estates of individuals. The change creates an effective £500,000 IHT threshold for estates in 2020-21. As with the current nil-rate band, any unused main residence nil-rate band will be transferred to a surviving spouse or civil partner and means the effective inheritance tax threshold will rise to £1 million in 2020-21.
- Insurance Premium Tax is to be raised to 9.5 per cent.
- Fuel duty remains frozen.
- Tax relief on pension contributions will be reduced (by taper) to £10,000 and a Green Paper will be published on pension contributions.
- A "National Living Wage" (presumably the NMW rebranded) for people 25 and older, at a rate of £7.20 an hour in 2016 rising to £9 an hour by 2020, will replace the National Minimum Wage.
- The welfare benefits cap will be reduced to £23,000 in London and £20,000 elsewhere.
- For new claimants, Tax Credit and Universal Credit will be limited to two children after 2017.

- The income threshold for tax credits will be reduced from £6,420 to £3,850. Universal Credit work allowances will be similarly reduced and will no longer be awarded to non-disabled claimants without children.
- The Government will legislate to freeze working-age benefits for four years, including Tax Credits and Local Housing Allowance; though disability benefits and statutory maternity pay will be excluded from the freeze.
- The Employment Allowance for small businesses and charities against employer's NICs will be raised from £2,000 to £3,000 from 2016.
- Rents paid in the social housing sector will be reduced by one per cent a year for the next four years.
- From 2016-17, student maintenance grants will be replaced by loans for new students of £8,200 per annum.

The Chancellor also announced that further planning reforms would be published on Friday.

### **Specifically in relation to Churches and charities**

- The "[Tax lock](#)": The Government will legislate to set a ceiling for the main rates of income tax, the standard and reduced rates of VAT, and employer and employee (Class 1) NICs rates, ensuring that they cannot rise above their current (2015-16) levels. An HMRC policy paper on this issue indicates that:
  - *the legislation is expected to have no impact on civil society organisations; and*
  - *the reduced rate of VAT will not increase and zero rates will not be affected.*
- The Government will consult on devolving powers on Sunday trading in England and Wales to city mayors and local authorities. The consultation will look at allowing mayors or councils to extend Sunday trading for additional hours within parameters that they would determine.
- Members may need to consider what implications the new arrangements for IHT might have for legacy giving.

### **For CLAS members who operate social housing schemes**

- Rents: The Government will reduce rents for social housing in England by one per cent a year for four years
- Social Housing tenants: Social housing tenants with household incomes of £40,000 and above in London and £30,000 and above in the rest of England will be required to pay a market or near-market rent for their accommodation. Local authorities will repay the rent subsidy that they recover from higher-income tenants to the Exchequer, contributing to

deficit reduction. Housing Associations will be able to use the rent subsidy that they recover to reinvest in new housing.

- Tax reliefs for landlords: The Government will restrict the relief on mortgage interest that landlords of residential property can get to the basic rate of income tax. This will be phased in over four years, starting from April 2017.
- Improving and maintaining rented property: From April 2016, the 10 per cent wear-and-tear allowance will be replaced by a new system under which landlords of residential property will be entitled to deduct only the costs they actually incur.
- Right to Buy: In his speech, though not in the supporting documents, the Chancellor confirmed the Government's intention to extend the Right to Buy to Housing Association tenants.

[Source: CLAS summary 9 July]

## CHARITIES AND CHARITY LAW

### Charity SORP consultation

For information and possibly for action

The Joint-SORP making body is updating the SORPs because of changes in UK-Irish Generally Accepted Accounting Practice (GAAP) that take effect in 2016. These changes affect the Charities SORP (FRS 102) and also the Charities SORP (FRSSE). *The Charities SORP (FRSSE) will no longer apply from 2016.*

Your views are sought on these changes, in a [consultation](#) that opened on 18 June 2015. This consultation closes on 18 September 2015. All consultation documents can be found [here](#).

The SORPs have to be updated to comply with the expected changes to accounting standards by the FRC. The FRC requires that a SORP must:

- be prepared in accordance with the FRC's Policy and Code of Practice on SORPs; and
- include no fundamental points of principle that are unacceptable in the context of current practice or to conflict with an accounting standard.

The expected changes to GAAP mean that:

- the Charities SORP (FRSSE) will not apply for reporting periods (financial years) beginning on or after 1 January 2016; and
- changes will be needed to the Charities SORP (FRS 102) effective for reporting periods (financial years) beginning on or after 1 January 2016.

Comments on the draft can be submitted via the [CIPFA Secretariat web page](#).

[Source: OSCR – 18 June]

## EMPLOYMENT

### ACAS guidance on paying staff

For information

ACAS has launched a new guide for small firms on the basics of the law relating to staff pay. Its new step-by-step guide, [Help for small firms: Handling pay and wages](#) is designed to help small and medium sized businesses to make sure that pay issues are handled correctly and in accordance with employment law. Though the guidance is aimed at SMEs, it should be equally useful for small- and medium-sized charities with staff to pay.

ACAS notes that the way pay issues are handled can have a huge effect on workplace morale and productivity and that most pay and wages issues can be dealt with effectively if employers fully understand their pay processes and their legal obligations to their workers:

“If any mistakes, misunderstandings or disputes occur, you should then be able to take action to resolve the matter swiftly. Where issues with pay are not handled correctly and are left unresolved, it could lead to court cases or employment tribunal claims.”

The guide is broken down into the following steps:

- [Step 1: The basics](#)
- [Step 2: Choosing a system](#)
- [Step 3: Paying new staff](#)
- [Step 4: Wage slips](#)
- [Step 5: Deductions](#)
- [Step 6: Pay during absence](#)
- [Step 7: Ending employment](#)
- [True or false?](#)

*Last year ACAS dealt with over 13,000 employment tribunal claims related to pay.*

[Source: ACAS – 1 July]

## FUNDING

### Gift Aid Small Donations Scheme: updated HMRC guidance

For information

HMRC has [updated its guidance](#) on eligibility for the Gift Aid Small Donations Scheme (GASDS). The clarified guidance states that charities may calculate whether or not they are eligible to claim by applying the following tests:

To be able to claim under GASDS, your charity or CASC must:

- have existed for at least 2 complete tax years, unless your charity or CASC has recently merged with another;
- have claimed Gift Aid in the same tax year as you want to claim a top-up payment (you can claim tax on Gift Aid donations and a top-up payment on small donations at the same time);
- have made a Gift Aid claim in at least 2 of the last 4 tax years, with no more than 2 years' gap between claims; and
- not have incurred a penalty on a Gift Aid or GASDS claim in this or the last tax year.

You cannot claim on:

- donations that come with a valid Gift Aid declaration;
- membership fees; or
- a £20 portion of a larger gift.

[Source: HMRC – 9 July]

## ODDS & ENDS

### “Freedom of Panorama”

**For information: and possibly write to  
your MEPs?**

*No, nothing to do with the long-running BBC One programme of the same name.* The European Parliament's Legal Affairs Committee has been considering a draft report on copyright law by Julia Reda MEP, sole representative of Germany's Pirate Party (which advocates freedom of expression on the Internet and better personal data protection and opposes Government regulation). Her report was adopted on 16 June but with significant amendments. Her draft had included the following:

“Calls on the EU legislator to ensure that the use of photographs, video footage or other images of works which are permanently located in public places is permitted;...”

– affirming the so-called “Freedom of Panorama”, which allows anyone to publish photographs, documentary films and other works depicting public places without restriction. But the Committee changed it to:

“Considers that the commercial use of photographs, video footage or other images of works which are permanently located in physical public places should always be subject to prior authorisation from the authors or any proxy acting for them;...”

As Ms Reda points out on her [blog](#), the need to acquire a licence for such everyday activities as sharing one's holiday pictures on social media is retrograde. Posting a picture on Facebook or Instagram might be regarded as “commercial use” because they are commercial sites; and she argues that Freedom of Panorama should become the rule across the entire EU.

It remains to be seen what the Plenary will do with the report and whether, in any case, the Commission will take the matter forward; but if the Legal Affairs Committee's version were to become law, how would it affect websites and social media? A change would presumably affect all copyright material – and copyright subsists for 70 years after the copyright owner's death.

We have written before about the need to make absolutely sure that you own the copyright to anything you post on a website that you control; but the Legal Affairs Committee's proposal would considerably extend the reach of copyright on the Internet. What about a picture taken by yourself of the interior of your own church if it is less than 70 years old? Or of a new(ish) stained glass window or statue? It's a serious enough prospect to be [worrying](#) the Wikimedia Foundation.

[Source: *Julia Reda MEP* – 17 June 2015]

## SCOTLAND

### Burial and cremation law

For information

The Scottish Government has published the [responses](#) to its consultation on a proposed Bill relating to burial and cremation and other matters.

[Source: Scottish Government – 6 July]

### Consultations

For information and possibly for action

The Scottish Government has opened three consultations in which members might be interested:

[Proposals for a Lobbying Transparency Bill](#) (29 May 2015): The Scottish Government proposes to introduce a register of lobbyists who directly engage with Members of the Scottish Parliament and Scottish Ministers. The paper seeks views on the Government's proposed model for a registration scheme.

The consultation ends on **24 July**.

[Removal of the 3 Year Limitation Period from Civil Actions for Damages for Personal Injury for In Care Survivors of Historical Child Abuse](#) (26 June): Under the current law there is a 3-year limitation period for civil actions relating to personal injury. The proposal to remove the limitation period will mean that anyone whose abuse occurred between 26 September 1964 and the present day and who wishes to raise a civil action for damages for personal injury will not be time-barred from doing so. For those whose abuse occurred before 26 September 1964 the law of prescription will continue to apply and there will be no right to sue.

The consultation ends on **18 September**.

[The Law of Succession](#) (26 June): The consultation seeks views on recommendations made by the Scottish Law Commission in their Report on Succession (2009) and looks specifically at:

- What should happen when there is no will;
- What protections should be put in place from disinheritance, in particular for children,

where there is a will and;

- What further protections should there be for cohabitants.

Underpinning the proposed changes is the principle that rights in succession should no longer depend on the type of property in the estate but will be able to be claimed from the whole estate.

The key elements of the Commission's proposal are as follows:

- A spouse/civil partner should inherit the whole estate if there is no issue;
- If there is no spouse/civil partner, any issue should inherit the whole estate;
- Where there is a spouse/civil partner and issue, the spouse/civil partner should receive up to a threshold sum (£300,000 was suggested by the Commission) out of the whole estate and the remainder of the estate should be divided in two, one part for the spouse/civil partner and the other to be divided between or amongst the children (or where appropriate their representatives);
- Where the deceased is survived by a spouse or civil partner and issue and the net value of the deceased's right in a dwelling house which passes to the spouse or civil partner by virtue of a survivorship destination does not exceed the threshold sum, the threshold sum should be reduced by the net value of the deceased's right;
- Where the deceased is survived by a spouse or civil partner and issue and the net value of the deceased's right in a dwelling house which passes to the spouse or civil partner by virtue of a survivorship destination exceeds the threshold sum, the sum by which the survivorship destination exceeds the threshold sum should be deducted from the deceased's intestate estate. The surviving spouse/civil partner should be entitled to half of the resulting amount, if any, and the rest of the estate should be shared among the issue.

The consultation ends on **18 September**.

The forthcoming Review of Civil Partnerships is expected "in the summer".

[Source: *Scottish Government* – May/June 2015]