Imperial College Union

Post-audit management report

Year ended 31 July 2022

Buzzacott

Contents

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Executive summary

Purpose of the external audit

The purpose of this report is to bring to the attention of the Board as those charged with governance and management the findings from our recent audit of the financial statements of Imperial College Union, for the year ended 31 July 2022, for your consideration and to enable you to address matters arising where appropriate.

As auditor, we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements for the year 31 July 2022 that have been prepared by management with the oversight of those charged with governance, and other matters required by legislation.

Our work has been carried out in accordance with our audit planning letter. We summarise our main findings below and provide more detail in the following pages.

In summary, we report that:

- there are currently no significant unresolved matters;
- except for immaterial items, we did not identify any misstatements during our audit, that remain unadjusted; or
- the key risk areas highlighted during our planning process have been adequately addressed during our audit work;
- our work highlighted no significant deficiencies in the systems operated by the charity; and
- we anticipate issuing an unqualified and unmodified audit opinion on the accounts.

The matters raised in this report have been discussed with Robert Scully and David Ashton.

Audit progress

We would like to take this opportunity to thank all those with whom we dealt during the audit for their assistance and co-operation, in particular Robert Scully and David Ashton.

Auditor's report

We do not propose any modifications to our audit opinion and, therefore, we intend to issue an unqualified opinion in our auditor's report.

The wording of our auditor's report is unchanged from last year.

Accounting and internal controls systems

Our work during the audit included an examination of some of the charity's transactions, procedures and controls with a view to expressing an opinion on the financial statements for the year ended 31 July 2022.

This work was not directed primarily towards discovering weaknesses, other than those that would affect our audit opinion, or towards the detection of fraud. We have included in this report only matters that have come to our attention as a result of our normal audit procedures and consequently our comments should not be regarded as a comprehensive record of all weaknesses that may exist or of all improvements that might be made.

We found no significant deficiencies in the accounting and internal control systems during our audit. However, we have made some recommendations for improvements, which are detailed in the key audit findings section of this report.

We have also made some recommendations for improvements, which are detailed in the key audit findings section of this report.

Accounting policies, accounting estimates and disclosures

The accounting policies used in preparing the financial statements are unchanged from the previous year.

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies and estimation techniques adopted by the charity. We found the disclosed accounting policies, significant accounting estimates and the overall disclosure and presentation to be appropriate for the charity.

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Key audit findings

Annual Report and Financial Statements format

The financial statements have been prepared, as last year, in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice (Charities SORP FRS 102).

There are no significant changes to the format of the financial statements this year.

Adjustments made during the audit

Other than presentational amendments which have no impact on the reported results for the year, there were no adjustments made to the figures presented to us for audit.

Unadjusted misstatements

We are pleased to report that we found only clearly trivial misstatements during our audit for the period.

Materiality

Materiality threshold £144,700

Reporting threshold: £7,235

Materiality refers to the relative significance of a particular matter in the context of the financial statements as a whole. An item would be considered material if its omission or its erroneous inclusion would reasonably influence the decisions of those using the financial statements.

We are required to report corrected audit misstatements, and uncorrected audit misstatements in excess of our reporting threshold which is set at 5% of overall materiality.

Our materiality threshold is based on 1.5% of average income and expenditure. A lower level of materiality may be selected for specific areas of the financial statements and for some disclosure items e.g. transactions and other financial arrangements with trustees and their connected persons.

When considering the impact of misstatements discovered during the course of our audit and considering the implications for our report of such misstatements, we will refer to this level amongst other things. Whether a misstatement is 'material' or not is ultimately down to the auditor's judgement.

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Observations and recommendations on the accounting system and financial reporting function

The table below provides a summary of any observations made concerning weaknesses in the charity's accounting and internal control systems.

Observations included in the "A" grade (red) banding indicate that, in our opinion, there is a risk of significant financial impact on the charity that must be addressed immediately.

"B" grade (orange) banding recommendations relate to those issues where there is a risk of moderate financial impact on the charity, such as a control failure or the absence of a control in an area of moderate risk. These items should be addressed shortly.

Observations included in the "C" grade (yellow) banding indicates that the matter, although important, does not warrant urgent attention and should be addressed within an agreed timeframe.

Priority	Relating to
B	• VAT manual*
C	• Authorisation of payroll*
C	• Social Enterprise Income

*Items marked with an asterisk are observations which were also made and reported in our post-audit report to you last year, but which remain unresolved.

Further details in respect of the observations and recommendations as a result of our audit work are given in Appendix 1.

The matters have all been discussed with Robert Scully and David Ashton who have appropriate management authority.

Prior year observations

We are, pleased to report that the following observations made last year have been satisfactorily dealt with:

Priority	Relating to
B	Updating the Financial Procedures Manual
B	Preparation and review of VAT returns by separate team members
B	Incorrect VAT claims on expenditure

Key audit risks and outcomes

As part of our audit planning process, we identified those areas where we believe there is a higher probability that a material error may appear in the financial statements. In the pages which follow we have provided a brief summary of the outcome of our audit work in relation to those higher risk areas.

<table>
<tr><th>Risk area</th><th>Summary and conclusion</th></tr>
<tr><td>Financial Performance</td><td>
The Union have been able to operate without significant disruptions arising from Covid in the 21/22 financial year. The Union incurred an operational surplus of £63K for 2021-22 excluding depreciation and other one-off items. A reconciliation has been set out below:
<table>
<tr><td></td><td>£’000</td></tr>
<tr><td>Net expenditure per financial statements</td><td>(215)</td></tr>
<tr><td>Add: Depreciation charge in the year</td><td>102</td></tr>
<tr><td>Add: Pension deficit change</td><td>176</td></tr>
<tr><td>Operating surplus</td><td>63</td></tr>
<tr><td>Of which restricted element is:</td><td>(51)</td></tr>
<tr><td>Unrestricted elements is:</td><td>114</td></tr>
</table>
The Union has seen a notable recovery of key income streams including Social Enterprise and Student Activities and Development income. Whilst these have not reached pre-Covid levels, the increase is a promising indication of future performance.
</td></tr>
</table>

Risk area	Summary and conclusion
	Management and the Board of trustees have considered the charity to be a going concern. We have reviewed the assumptions that have been utilised to inform this decision and consider these to be reasonable. The disclosures in the accounts have also been determined to fairly depict the financial and commercial state of the Union.
Management override of controls	There is an inherent risk in all organisations that management may be in a position to override any controls in place to manipulate results or conceal unauthorised or inappropriate transactions. *We have reviewed journal entries by carrying out a data analytics search on the transaction listing and verifying a sample of entries to supporting documentation or other evidence. We found no evidence suggesting that journal entries were not valid or made inappropriately. We also reviewed procedures surrounding authorisation of transactions as part of sample based substantive testing and all were found to be appropriate and in line with the policies in place.* *We also made enquiries into the procedures in place to prevent fraudulent transactions following the Union falling victim to an instance of cybercrime. We note that there is a comprehensive system in place that must be followed to mitigate such risk in the future.*
Related party transactions	There is a risk that related party transactions are not adequately disclosed or identified. *We reviewed declarations of interests provided by all trustees and members of senior management. We also reviewed the transaction listing utilising data analytics to identify any potential undisclosed transactions with known related parties. No material balances were identified and as such, the related party transaction disclosure appears appropriate.*

Risk area	Summary and conclusion
Accounting estimates	Given that certain accounting entries are made on the basis of an accounting estimate, there is a risk that a change in assumption could lead to a shift in reported results. We considered the most significant estimates to include the estimated useful lives of tangible fixed assets (and hence the annual depreciation charges), the basis of allocating costs between the various categories of expenditure, the recoverability of debtors and the pension scheme provision held on the balance sheet. *We have reviewed the accounting policy underpinning the annual depreciation charge and consider this to be appropriate and in line with other Unions.* *With regards to the allocation of support costs, we consider the basis to be reasonable with no significant changes noted to the prior year allocation.* *We have not identified the need to provide for any bad debts based on our testing of the post-year end recoverability of debtors.* *We have reviewed the actuarial assumptions that form the basis of the pension provision and deem these to be reasonable.* *No evidence of management bias has been identified and we therefore consider accounting estimates to be appropriate.*

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Other information

Letter of representation

We enclose the draft letter of representation which we will request the trustees to approve and sign at the same time as the financial statements. This includes acknowledgement of the trustees' responsibility for the design and implementation of internal controls to prevent and detect fraud.

As set out in our planning letter, we understand the following applied to the year ended 31 July 2022.

- Trustees of exercised effective oversight of management's processes for identifying and responding to the risks of fraud in the charity and a system of internal controls was in place to mitigate these fraud risks.
- The key areas at most risk of fraud at the charity are:
    - The potential for incompleteness of income within the accounting records arising from the misappropriation of funds;
    - The payment of unauthorised expenditure through the override of key controls; and
    - Third party fraud leading to payment being made to the incorrect recipient including cyber fraud.
- Trustees were made aware of one instance fraud whereby the charity fell victim to an individual perpetuating to be a supplier resulting in a payment of £12,500. We have reviewed the controls and processes that have been implemented to mitigate this risk in the future and consider them to be adequate.
- Other than the above, trustees were not aware of any instances of actual, suspected, or alleged fraud, including misconduct or unethical behaviour related to financial reporting or misappropriation of assets.
- There have not been any out of the ordinary transactions.

If the above information is no longer correct, please contact Shachi or Matthew.

Professional ethics

In accordance with our profession's ethical guidance and further to our letter confirming audit planning arrangements there are no further matters to bring to your attention in relation to Integrity, Objectivity and Independence.

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Current developments

Revised auditing standards

The audit work we perform must comply with all relevant International Standards on Auditing (UK) ("ISAs") which are set by the UK's Financial Reporting Council ("FRC"). ISA (UK) 315 *Identifying and Assessing the Risks of Material Misstatement Through Understanding of the Entity and Its Environment*, ('ISA 315') has recently been reviewed and amended by the FRC and the revised version introduces major changes in the approach auditors must follow to risk identification and assessment in all audits. This will be applicable to your audit for the year ending 31 July 2023.

The key impacts on your audit will be as follows:

- We will ask more questions to management and those charged with governance about how you identify risks relevant to the preparation of financial statements, including disclosures, evaluate their significance, assess the likelihood of their occurrence, and decide upon actions to manage them and the results thereof. This builds on the same general approach as changes introduced by the revised ISAs related to the audit of going concern, estimates and related disclosures, which were introduced for accounting periods commencing on or after 15 December 2019.
- We will place more emphasis on the controls relevant to the audit compared to previous years, therefore we will look at more of your internal controls during the audit.
- We will look in more detail at your IT environment and controls relevant to the financial statements, and will need to speak to the individuals responsible for your IT about your systems and perform tests on these where appropriate.

If and when possible, we shall minimise the impact on the audit process of these revised and additional requirements of ISA 315, although it is likely that they will require extra work for you and us in the future. You can prepare for this by ensuring that your controls around your accounting and accounts preparation process (including the IT elements of the system) are formally documented and that this documentation is up to date and reflective of current practices of the organisation. These notes will help the audit planning process next year.

Updates, insights and seminars

As part of our commitment to the charity sector, during the year the Charity Team issues occasional Updates and Insights on matters of relevance to the sector and also holds a number of seminars free of charge throughout the year. We would be delighted to welcome representatives of your charity to our seminars or to add trustees and management to our email distribution lists if this would be welcome. News and Insights are also available on our website at News and insights (buzzacott.co.uk), where there is also an opportunity to sign up to our mailing list should you wish.

This report has been prepared for your private use only. It has been prepared on the understanding that it will not be shared with any third party without our prior written consent and we can therefore assume no responsibility to any other party. Any recommendations contained herein are based on the information you have provided and UK law and judicial and administrative interpretation as of the date of this letter. Should the facts provided to us be incorrect or incomplete, or should they change, our recommendations may be inappropriate. Buzzacott LLP accepts no liability for losses arising from changes in UK law, interpretation or practice or in public policy that are first published after the date of this report.

If you require any further information or assistance, we shall be very pleased to help you.

We would be pleased to receive your comments and reaction to this letter.

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Appendix 1: Audit observations and recommendations

	Observation	Implication	Recommendation	Management comment
B	**VAT manual** As noted in the prior year, there is no VAT manual in place outlining the treatment for various streams, and how to prepare the VAT return.	We understand that the preparation of a manual has been postponed due to the Union awaiting a third party VAT review. Despite this, the absence of a manual increases the risk that Union does not complete the returns accurately and on a timely basis if the the member of staff to whom this task is allocated is unavailable.	We recommend that a VAT manual is prepared, detailing the applicable VAT treatment of the various income streams of the Union and the procedures and timescale for preparation of each return upon completion of the external VAT review.	Agreed, this will be picked up in the VAT review taking place in the second half of 2022/23
C	**Payroll authorisation** As highlighted in the prior year, the payroll reports received from the Union are not evidences as reviewed prior to the accounting journal being posted.	Whilst we acknowledge that there is a sufficient review in place to identify and investigate anomalies on the payroll reports, there is a lack of physical evidence in place of such a review.	We recommend that the payroll reports are evidenced as reviewed by the Finance Director before they are posted.	We are pleased that there is acknowledgement that sufficient reviews are in place, and will work to ensure the audit trail is evidenced to the required degree
C	**Social Enterprise Income** For 12 out of 21 items tested between the period from August 2021 to February 2022, we noted variations totalling (£181)	Whilst the discrepancies noted are insignificant, a lack of suitable processes increases the risk of the incompleteness of income.	We recommend that all sales are accurately reflected and recorded on a timely basis and that discrepancies between the system and nominal	This recommendation relates to the previous EPOS system, with only one such discrepancy related to the new EPOS system which was picked up

	Observation	Implication	Recommendation	Management comment
	between the EPOS system and the nominal listing and £222 between the nominal listing and bank receipt. The discrepancies amount to (£2,723) and £3,337 respectively when extrapolated across the population. We also note one instance where the receipt per the bank was greater than that recorded on the EPOS system and nominal listing in October 2021 by £2,800. We understand that this is a result of issues with the recording of sales in tills for door sales which resulted in a greater inflow of money in than the balance recorded per the till. This was therefore recorded as overage. We note that a new system was implemented from March 2022 onwards with an observable decline in the exceptions noted. For 1 of 19 items tested between the period of March 2022 to July 2022, we noted only one discrepancy amounting to £673 suggesting that this	There has been a noticeable decline in exceptions noted upon implementation of the new system, suggesting that the new EPOS system has resulted in an improvement to processes.	listing/bank continue to be monitored to ensure control in this area.	and resolved as part of the implementation process and we are confident that this is now resolved.

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	Observation	Implication	Recommendation	Management comment
	implementation has greatly reduced the risk of error in this area.			

Appendix 2: Current developments

Trustees' Annual Report and Accounts

Reporting Diversity Data

The Charity Commission has been asked to make reporting diversity information about charity senior leaders and trustees mandatory in annual reports. Currently, publicly available information of the diversity of charity leaders is "incomplete and out of date" so a coalition of 65 organisations have advised the change in line with new FCA rules. The FCA requires listed companies to disclose numerical data on the gender and ethnic diversity of their board and executive management. The Charity Commission has said they will consider the recommendations as part of their ongoing work on the issue. The shadow charities minister has also said "increased transparency at charities is needed" and the Charity Commission should take action on "recommendations to collect data on protected characteristics among charity trustees and executives".

The open letter to the Charity Commission can be found at https://www.money4you.org/operationtransparency/

Policy and Governance

Charities Act 2022

The Charity Commission has published guidance on changes to be implemented by the Charities Act 2022, expected to come into force from Autumn 2022 and will be staggered throughout 2023. A summary of the key changes are:

- Charities will be able to pay Trustees for providing goods or services to the charity that are beyond the usual trustee duties (Autumn 2022);
- Trustees will have the power to process small amounts of ex-gratia or moral payments without applying to the regulator. For example, if a charity receives a legacy but there is evidence the donor has changed their mind since making their will (Autumn 2022);
- Reduced complexity surrounding fundraising appeals that do not reach, or exceed, the intended target. This includes charities no longer having to wait six months for donors to ask for a refund. In addition, if donations less than £1,000 can be spent on purposes other than those intended, they can act without the involvement of the Commission (Autumn 2022);
- Changes to how charities sell, lease or transfer land (Spring 2023);
- Greater flexibility will be introduced to make use of permanent endowments (Spring 2023); and
- Changes to how charities can amend their governing documents (Autumn 2023).

The guide can be found at https://www.gov.uk/guidance/charities-act-2022-guidance-for-charities

Recruiting young trustees

Our Bright Future, a partnership led by the Wildlife Trusts and funded by the National Lottery Community Fund, has published a guide to help charities recruit young trustees to their board. The guide includes case studies and templates for charities that would like to recruit young people, and a six-step approach for supporting young trustees in their role. The guide can be found at: https://ourbrightfuture.co.uk/wp-content/uploads/2022/05/Young_Trustees_Advice_Pack.pdf

Charities and remote meetings

From 22 April 2022, the Charity Commission has confirmed that charities will need to move back to face-to-face meetings unless their governing documents allows remote meetings to be held. The flexibility of online meetings was introduced in April 2020 but as Covid-19 restrictions have come to an end this flexibility is being removed. The regulator has also said they will no longer give charities extensions to filing deadlines.

Information on how to amend governing documents if needed can be found at https://www.gov.uk/guidance/coronavirus-covid-19-guidance-for-the-charity-sector

Charity Commission survey

In July 2021, the Charity Commission published a report about public trust in charities. It stated that the public's perceptions about the charity sector is influenced by the expectation that "a high proportion of the money it raises goes to those it is trying to help". This involved ensuring donations remain high while keeping fixed costs such as operational and staff costs low. Through quantitative surveys, the report found the public believe impact reports that show KPIs and real-life stories are the best way to demonstrate the impact that charities have had.

The full report by the Charity Commission can be read at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1002264/Charity_Commission_public_trust_in_charities_research.pdf

Spring Statement 2022

The key points from the Chancellor's Spring Statement are as follows:

- Reduction in fuel duty by 5p per litre from 23 March 2022;
- Increase in the national insurance employment allowance to £5,000 for 2022/23;
- Alignment of NIC starting thresholds with income tax personnel allowance from July 2022 (currently £12,750 per annum);
- Basic rate of income tax will be cut to 19% from April 2024;
- The Apprenticeship Levy (introduced in 2017) will be reviewed to determine if the scheme is

- “doing enough” to upskill workforces through workplace apprenticeships; and
- The promise to simplify existing tax reliefs to create an efficient system in the lead up to 2024.

For further analysis please see: https://www.buzzacott.co.uk/news/spring-statement-2022

Investments update

The Charity Commission has published guidance to help trustees make decisions on responsible investment. Trustees at all charities can decide whether or not to adopt a responsible investment approach that reflects the charity’s purposes and values, and not just focus on the financial return.

The guidance states “You can decide that rather than just focusing on the financial return on an investment, your approach will also take into account your charity’s purpose and values.”, i.e. health charities avoiding investments in companies whose products harm public health/environmental charities actively seeking to invest in renewable energy.

The full published guidance can be found here: https://www.gov.uk/government/consultations/charity-responsible-investment-guidance/responsible-investment-draft-guidance-for-consultation

A review of investments in 2021 encompassing the outlook for 2022 can be read at: https://www.buzzacott.co.uk/insights/investment-review-of-2021

Identity theft

Companies House have reported they deal with up to 100 cases of corporate identify theft every month. This involves stealing of business information and using it for person gain.

The organisation offer a service called ‘Protected Online Filing’ (PROOF), which aims to protect companies from the threat of corporate identify theft. It allows filings at Companies House to be submitted using an authorisation code known only to the company and advisors.

More information of how to sign up for this free service can be found at https://ewf.companieshouse.gov.uk//seclogin?tc=1

Cyber security breaches in larger charities

The government’s Cyber Security Breach Survey has found that 62% of charities with income over £500,000 reported having some form of cyber security attack in the year to March 2022. This increased to 76% for charities with income over £5,000,000. Whilst businesses continued to be targeted more than charities, about a quarter of charities said they faced cybercrime at least once a week in the form of phishing emails. In addition, 9% of charities said a cyber-attack had left them unable to access files temporarily. These findings are from responses from 424 charities and 1,200 business located in the UK. The detailed government report can be read at: https://www.gov.uk/government/statistics/cyber-security-breaches-survey-2022/cyber-security-breaches-survey-2022

Charity Commission – Improving charity data

The Charity Commission is focusing on improving data collection over the coming years, with an introduction of broader classification codes on the charity register expected soon (giving more specific options of what the charity does and its objects etc). This will enable organisations to accurately represent their activities, with information becoming more relevant to the public. It is also expected the 2023 Annual Return will feature a 'library' of questions which charities can answer as their circumstances require, enabling a more streamlined experience.

The long-term goals include more direct communication with individual trustees to help and support them in their roles.

Further details can be found at: https://charitycommission.blog.gov.uk/2022/03/22/your-role-in-improving-charity-data/

Charity Commission proposes additional questions on the annual return

A 12-week consultation commenced in June for potential changes to the Charity Commission Annual Return. The proposed new changes are around financial governance, charity operations and structure, and employees and volunteers. One of the proposed new questions asks charities to confirm whether specific thresholds have been exceeded (e.g. whether 70% or more of total income is dependent on one income stream, or whether 25% of more comes from donations). The regulator hopes this will enable them to collect more targeted information to help with its longer term data-driven, long-term strategy.

Changes will apply to charities' financial years starting on or after 1 January 2023. For more information on the consultation, please visit the Charity Commission website https://www.gov.uk/government/consultations/charity-commission-revisions-to-the-annual-return-2023-25

Cash couriers warning from the Charity Commission

The Charity Commission has issued a warning against the use of cash couriers as this increases the risk of seizure or forfeiture of charitable funds. Cash couriering involves the physical transfer of cash from one jurisdiction to another. The regulator has said it is a high risk for terrorist financing and money laundering so using a regulated banking system is a prudent and responsible method of moving charitable funds overseas. If other means of transferring funds is not available, trustees must put in place a range of fully documented additional safeguards. The Commission also expects trustees to ensure that any seizure or forfeiture of their charity's funds is reported to it as a Serious Incident Report.

For more information please visit: https://www.gov.uk/government/news/regulator-renews-its-message-warning-charities-against-the-use-of-cash-couriers

Staff recruitment and retention

As charities seek to recover from the pandemic, one of the key issues affecting organisations is staff recruitment and retention. Employment experts believe charities are facing an "exodus" of staff due to increasing pressures such as overwork, burnout, and low pay. The return to the office has also been a contributing factor to staff retention in the sector. All these factors combined have highlighted a staff turnover in the not-for-profit sector of 18.1%. The recruitment crisis is likely to be heightened as charities lose experienced staff, replaced by staff with little knowledge of their organisation.

Charities can implement a range of strategies to increase staff retention including offering flexible working options, clear career progressions, a strong team culture and focus on staff wellbeing.

For further analysis, please see:
https://www.stoneking.co.uk/literature/e-bulletins/how-can-charities-retain-their-best-staff

Safeguarding

The Charity Commission has published a guide on the responsibilities for charities and trustees to keep everyone safe including staff, volunteers, and beneficiaries. Trustees must ensure their charity identifies and manages risks, have safeguarding policies and practices in place, carry out relevant checks (e.g. DBS), protect volunteers and staff, and have procedures to handle and report incidents appropriately.

A detailed overview of safeguarding in charities, and how to implement the above action points can be found at:
https://www.gov.uk/guidance/safeguarding-for-charities-and-trustees

Whistleblowing

The European Union Whistleblower Protection Directive came into effect in December 2021. Whilst it does not apply directly to UK based charities, it does apply to charities operating in the EU and may influence UK legislation in the future. Employers must set up secure reporting channels, acknowledge disclosures within seven days of reporting, and give feedback to whistleblowers within three months.

Tax

Charity tax returns – why are they so important?

Whilst it is not compulsory for charities to file a tax return, HMRC is able to perform random checks on charities to ensure exemptions are being claimed correctly. There is no blanket exemption on income generated by a charity because of their charitable status. If a charity receives income that does not fall under the available exemptions, then the profit element of the income will be subject to tax. The main forms of exempt charitable income are:

- Donations and legacies;
- Trading income, where this derives from activities in furtherance of or ancillary to the charity's objectives, or activities carried out by the charity's beneficiaries; and
- Certain investment and property income.

If there is non-charitable trading income that does not fall under the above exemptions, the small-scale taxable trades exemption can be applied whereby a tax liability will not be applied if the non-charitable trading income is less than 25% of the charity's total income, subject to a cap of £80,000. If £80,000 is breached, the total non-charitable trading income will be taxable.

Further information can be found at: https://www.buzzacott.co.uk/insights/charity-tax-returns-why-are-they-so-important

Business rates relief for charities

The Government are currently carrying out a review of business rates in England, which may impact the mandatory 80% rates relief given to charities on business properties. Currently, properties must be wholly or mainly used for charitable purposes.

Key considerations when claiming the relief include whether the charity carries out commercial trading through subsidiaries, whether they operate a retail shop for the sale of donated goods, or whether the property is vacant but still held for charitable purposes. Charities and not-for-profit organisations should also be aware that local authorities may 'top-up' the relief to 100% at the discretion of the local authority.

Details on the charitable relief rate review can be found at: https://www.buzzacott.co.uk/insights/are-you-taking-advantage-of-all-charitable-reliefs-from-business-rates

Charities call for exemption from online sales tax

Charitable organisations have called on the UK Government to exempt charity shop sales from the new Online Sales Tax as it would support reuse and charitable fundraising. An online sales tax is due to address the imbalance of tax paid between online retailers and high street shops. The government launched a consultation with results due to be published soon, and confirmed they are considering the tax exemption from charitable online sales.

For details of the online sales tax policy please see: https://www.gov.uk/government/consultations/online-sales-tax-policy-consultation

Covid-19 induced partial exemption adjustments

All businesses that are partially exempt from VAT are required to carry out their annual adjustment to their VAT year end return. This is a good time to review the year's VAT accounting, particularly if income has been impacted by Covid-19. HMRC has said the last chance to request a temporary alteration for partial exemption due to Covid-19 is for the VAT year ended 2022.

The original government policy paper can be found at https://www.gov.uk/government/publications/revenue-and-customs-brief-4-2021-partially-exempt-vat-registered-businesses-affected-by-coronavirus-covid-19