

Bill 6: Charitable Companies: Withdrawal of Change 33 (jc652)

1. This short paper explains a change we are proposing to make to the drafting of Bill 6.
2. In clause 488 of the draft Bill published on 3 March we proposed a change (published as Change 33). It concerned a change in the way a limit is calculated where a charitable company has an accounting period that is shorter than twelve months. A copy of that proposed change is attached.
3. The change was proposed and presented on the basis that it was in taxpayers' favour in principle and would benefit some in practice. After further consideration we have come to the conclusion that it is possible that it could also adversely affect taxpayers in certain circumstances.
4. In the light of this we have decided to withdraw the change and redraft the clause to reproduce the effect of the source legislation.
5. As we are simply removing a proposed change we are not seeking any comments. If exceptionally you have any comments we would be grateful if you could let us have them as soon as possible and in any event by 12 November 2009. If possible, they should be sent by e-mail to:

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Written comments should be sent to:

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Change 39: Charitable companies: condition as to trading and miscellaneous incoming resources: clause 482

This change makes a small adjustment in the calculation of the limit in incoming resources where a charitable company has an accounting period that is shorter than twelve months.

Section 46 of FA 2000 provides an exemption for trading and miscellaneous income of a charity where the charity's income does not exceed a set limit. The limit cannot be less than £5,000 nor greater than £50,000. These two figures are both reduced in the case of an accounting period of less than twelve months.

The source legislation in section 46 FA 2000 states that the two amounts shall be "proportionally reduced". While this term is generally understood, it is not explicit how it should be applied to particular circumstances. For example, what is the correct comparative period of 12 months, and what should happen when that period includes an extra day?

The use of an arithmetical formula in the cases affected by this change removes any uncertainty in this regard. The number of days in the actual accounting period is divided by 365 to obtain the relevant proportion to apply to the threshold amount in order to find the adjusted threshold. So there is no need to consider which is the correct comparison period of 12 months when more than one such period could be appropriate. Dividing by 365 in all cases gives slightly higher limits when there is the possibility that 366 days might have been an appropriate period for comparison. When this occurs it will be beneficial to the taxpayer, although the amounts involved are expected to be very small.

This change is in taxpayers' favour in principle and may benefit some in practice, but the numbers affected and the amounts involved are likely to be small.