

CHARITABLE STATUS OPTIONS

The Village Hall was registered in 2009 as a charity by HMRC for tax purposes (Reg No. XT13924) so the construction was VAT exempt. However, a charity must register with the Charity Commission if its gross income is >£5kpa to maintain charitable status. A decision therefore needs to be reached on whether to remain a charity and if so the best structure. Professional guidance from Community Action Suffolk is recommended (Trevor Coulson, Community Buildings Officer 01473 345388). Below is my understanding based on the gov.uk references which are listed at the end.

ADMIN

	Registered Charity	Village Hall management committee	Financial liability	Auditing accounts	Constitution
Charitable Trust	YES (Best for small grant-making charities with no premises, staff or contracts)	As now	Village Hall management committee members. No liability on Parish Council/ precept.	Annual Return Form to be filed with Charity Commission if gross income >£10k. Accounts and trustees annual report to be filed with Charity Commission if income >£25k. Independent audit needed if >£25k. Simplifies Parish Council accounts as excludes Village Hall.	To be based on Charity Commission model constitution
Charitable Incorporated Organisation	YES (Best for charities with physical assets, premises, staff, contracts)	As now	No financial liability on Village Hall committee members or Parish Council/ precept	Accounts and trustees annual report to be filed with Charity Commission irrespective of gross income. Similarly, Annual Return Form to be filed with Charity Commission. Independent audit needed if income >£25k. Simplifies Parish Council accounts as excludes Village Hall.	To be based on Charity Commission model constitution
Parish Council sub-committee	NO	Parish Councillors only	Parish Council/precept	Internal audit during year and AGAR (Annual Governance and Accountability Return) form to be filed with Local Authority designated accountants if income <£25k. Internal audit during year and AGAR return if income >£25k with external audit by designated Local Authority accountants. Parish Council accounts include Village Hall.	No constitution needed. 'Terms of reference' for sub-committee.
Unincorporated association	NO (Same as BSAC. Best for small orgs with no premises, staff or contracts)	As now	Village Hall management committee	Same as Parish Council sub-committee	Current constitution updated.

VAT

	Registered Charity	Deferred VAT payment due on construction invoices (<10 years)	VAT exemption on new construction	VAT recovery on purchases and repairs	VAT registration threshold
Charitable Trust	YES	NON	YES Repairs and alterations charged at standard rate. New build annex zero rated.	Exempt or reduced rate for certain goods and services. Water and sewage zero rated.	>£85k
Charitable Incorporated Organisation	YES	NON	YES Repairs and alterations charged at standard rate. New build annex zero rated.	Exempt or reduced rate for certain goods and services. Water and sewage zero rated.	>£85k
Parish Council sub-committee	NO	£3k HMRC guidance needed to see if this can be recovered retrospectively – caution: £4k VAT already recovered since 2010. Village Hall committee structure has not to date met HMRC rules to be designated as a Local Authority body hence the Village Hall VAT recovery to date has been claimed erroneously. The deferred VAT on the original construction invoices amounting to ~£52k have time expired.	NO VAT refund allowed up to £7.5kpa and full refund if Hall is for ‘non-business’ use only (no hire charges)	Up to £7.5kpa for ‘non-business’ expenditure. Water and sewage zero rated. 5% VAT on electricity recoverable. VAT on ‘business’ expenditure eg. bar stock and food for sale cannot be recovered.	>£5k ‘business’ income eg. bar sales
Unincorporated association	NO	£3k Cannot be recovered.	NO	NO	>£85k

Definitions:

LOCAL AUTHORITY: 'non- business' is local authority business whereas 'business' is commercial trading by the local authority. However, if hiring the Village Hall does not lead to significant distortion of competition with other bodies, this can be classed as 'non-business'. Bar and food sales however would be classed as 'business'. VAT Notice 749 Section 2.3

CHARITY: Hiring out a Village Hall is a 'business activity' but is exempt from VAT. Bar and food sales are classed as 'business activity'

UNINCORPORATED ASSOCIATION: Hiring out a Village Hall is exempt from VAT provided exclusive use during the period of hire. Bar and food sales are trading and therefore not exempt from VAT if gross income >£85k. (so not relevant for us)

References:

<https://www.gov.uk/guidance/local-authorities-and-similar-bodies-notice-749>

<https://www.gov.uk/hmrc-internal-manuals/vat-government-and-public-bodies/vatgpb4120>

<https://www.gov.uk/vat-charities>

<https://www.gov.uk/guidance/vat-refund-scheme-for-charities-notice-1001#charities-included-sections33c-33d>

<https://www.gov.uk/guidance/how-vat-affects-charities-notice-7011>

ACRE Information Sheet 18 Village Halls and VAT <https://www.communitysupportny.org.uk/wp-content/uploads/2022/05/18-VAT-on-building-work-and-other-purchases-ACRE-VHIS-November-2017.pdf>

<https://www.gov.uk/government/publications/charity-reporting-and-accounting-the-essentials-cc15b/charity-reporting-and-accounting-the-essentials>

<https://www.gov.uk/set-up-a-social-enterprise>

<https://www.gov.uk/unincorporated-associations>

<https://www.gov.uk/guidance/check-if-a-new-charity-is-the-best-option?step-by-step-nav=3dd66b86-ce29-4f31-bfa2-a5a18b877f11>

<https://www.gov.uk/guidance/clubs-and-associations-vat-responsibilities-notice-7015#:~:text=Any%20club%20or%20association%20with,set%20out%20in%20this%20notice.>

D R Smith

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