

TRANSITION BLACK ISLE CONSTITUTION PROGRESS REPORT

Introduction

Things have been very quiet on the incorporation front, mainly because of competing demands on my time, but also because I was concerned that we may have been heading for taxation problems. We now have a clearer understanding of these issues, and I have re-drafted the articles of association, which are attached with the following comments on issues which have arisen since they were last considered at the May TBI meeting.

Corporation Tax and Charitable Status

If TBI incorporates but does not become a charity, it will be subject to corporation tax on any surplus made. This may not seem to be all that significant, given that we don't intend to build up large reserves. However:

- We ought to be working towards a modest "buffer";
- Some projects are likely to run over more than one financial year, in which case we may find we have a surplus in one year followed by a deficit in the next – and we'd have to pay corporation tax on the surplus;
- The extra planning involved in minimising any tax would be a nuisance and a distraction;
- There is additional admin and cost in preparing corporation tax returns.

Wendy and I had a meeting with Johnson Carmichael (Chartered Accountants) in Inverness last week, and they confirmed that this is a problem, and that it would be avoided if we also became a charity. Their view was that the extra admin work from being a charity is modest, provided we keep our records in good order.

The other financial benefit of becoming a treasurer is that we will be able to benefit from gift aid on any donations and subscriptions from UK tax payers.

I therefore propose that we should become a charity at the same time as incorporating.

Subscription

The June 2010 meeting agreed to institute a £10 annual subscription, and this has been reflected in Articles 16 to 20. I suggest the first subscription should be required when people re-join, but should cover the period to 31st March 2012.

The process

The draft articles need to be submitted to OSCR (the Office of the Scottish Charities Regulator) to get their confirmation that they are acceptable for a charity.

Once they have given this, a small number of members and directors are needed to incorporate the company – this simply involves sending the memorandum and articles, together with a form and a cheque for £20, to Companies House. The assets, liabilities, and any contracts can then be transferred from the "old" TBI to the "new" one, and the existing membership should be circulated with a request to re-join. Additional directors can be appointed by the initial directors. There will need to be a final set of accounts drawn up for old TBI, to show what is being transferred.

New TBI will continue to prepare its annual accounts up to 31st March each year. The first set of accounts needs to be for a period greater than 6 months and less than 18 months, i.e. it will be from the date of incorporation to 31st March 2012.

I propose that the first AGM for new TBI will be May or June 2011 – the articles as drafted say that it should be within 9 months of incorporation, but we can change that if we want. There will be no accounts to present at the first AGM, but it will be an opportunity for the members to re-appoint (or not) the directors. We should anticipate that the current officers (i.e. convenor and treasurer) will resign at that stage, as they will have been in post for two years, albeit covering a combination of old and new TBI.

The estimated annual costs of producing accounts suitable for Companies House and OSCR will be around £1000. This will be pretty much the same whether we become a charity or not.

Decisions required

1. Confirm we still want to incorporate;
2. Do we want to be a charity?
3. Confirm proposed dates for financial year-end and AGM.