Interlink
Your local county voluntary council

9. Assets

9.2 Running buildings

The managing committee being responsible for buildings must consider its liabilities to pay rates and taxes to one or more public bodies such as Her Majesty's Revenue and Customs (HMRC), the local authority; and also to the privatised suppliers of fuel, power and water. The rates, taxes and other charges that you may have to pay go under the headings of corporation tax, income tax, capital gains tax, value added tax, the climate change levy, business rates, fuel, power and water and sewerage charges.

If you have paid employees you will also have to make payments to the HMRC for their income tax and national insurance. In addition, if the organisation engages in trading activities, questions may arise not only in relation to rates, tax and utility charge requirements, but also in relation to charity law. This sheet deal with taxes, rates and utility charges, particularly in relation to the management of properties.

This information sheet tells you something about each of the utility charges you may have to pay if you are managing a community building, insurance considerations and indicates sources of further information.

Fuel & power supplies

Fuel and power supplies to a building used entirely for domestic purposes or for non-business charitable activities ('qualifying purposes') are liable to Value Added Tax (VAT) at 5 per cent. If at least 60 per cent of the building is used for a qualifying purpose, then fuel and power supplies can be rated at 5 per cent; if less, then supplies of fuel and power may be apportioned between qualifying and non-qualifying uses with the non-qualifying portion taxed at 20 per cent. Beside these instances, supplies of fuel and power below certain specified low quantities will automatically be rated at 5 per cent whatever the use of the building.

The Climate Change Levy (CCL)

The Climate Change Levy is a tax imposed on the use of energy by businesses and the public sector. It was introduced, with effect from 1 April 2001, as part of Britain's commitment under the *Kyoto Agreement* to reduce its emissions of greenhouse gases. CCL is generally payable on business supplies of electricity, gas (including liquid petroleum gas - LPG) and coal. Fuel oil is not subject to CCL, because it is already subject to excise duties. The rules for liability to pay this tax follow existing VAT rules, so that supplies currently charged VAT at the 5% rate will not be charged CCL, but supplies currently charged VAT at 20 per cent will be liable. Hence, the levy does not apply to energy used by registered charities for non-business purposes. The tax is collected by energy suppliers and remitted by them to HM Customs and Excise. It will be added to fuel bills before VAT and, although there is no legal requirement to do so, it is likely that suppliers will show it as a separate item on bills.

Supplies of fuel for domestic use are excluded from CCL, and there is an exemption for business premises where only a small amount of fuel is used.

Liability to CCL can also be mitigated by measures to reduce energy consumption – by better insulation, installation of double glazing, energy-efficient light bulbs, purchase of energy-efficient equipment, and so forth. Liability for CCL can also be reduced by accepting an option to take a proportion or the whole of an energy supply from exempt renewable sources of energy.

HMRC will determine the precise definition of these sources, and the definition will change from time to time as technologies are developed. They will include sources such as on-shore and off-shore wind, small scale hydro-electricity, energy crops, waste-to energy, landfill gases, wave and solar generated power. Electricity produced by these means is usually more expensive than more conventionally produced power, because of the high capital cost and (usually) comparatively small scale of new installations, but exemption from CCL is intended to offset these costs.

If you think you are not eligible to pay CCL but your energy supplier is charging it, you should in the first instance contact your supplier.

Similarly, your supplier should be able to give you advice and assistance on other matters related to CCL. If this fails, your local HMRC office who should be able to assist. There is also further information on the Department for Environment, Food and Rural Affairs (DEFRA) web-site - see ‘Further information’ at the end of this information sheet.

Water and sewerage charges

Water and sewerage charges are made by the privatised water companies. You have the option of having your water consumption metered and paying for how much you use. You will still have to pay a standing charge, regardless of your usage. Water supplies are zero-rated for VAT unless the supply is made to an industrial customer. You need to apply annually to the water company for the zero rating on the supply of water. The water supplier is responsible for deciding whether the customer uses water in connection with an industrial activity. If you believe that VAT is being applied incorrectly you should contact the relevant water company in the first instance.

Your water company should be able to give you a rough idea of how much water you will use, and the cost. You may also have to pay for installation of the meter, but some companies will install a meter free of charge, and allow you a year to compare costs.

Meter installation can be carried out either by the water authority or private engineers. Some firms offer guaranteed savings. It is recommended that you read the ‘small print’ before signing any agreement. OFWAT - the Office of Water Services - is an organisation looking after water consumer interests. There are 11 regional offices.

Building insurance

Organisations need to arrange insurance cover for buildings they own. If they hold a lease, the landlord usually insures the building, but terms of the lease should always be checked to identify who is responsible for insurance. The normal risks or perils insured against are: destruction or damage by fire, lightening, explosion, storm and tempest, flood and subsidence.

When insuring a building the following should be considered:

- The full reinstatement cost of the building must be insured against, factoring in items such as increased costs due to inflation (*eg* if the building works are delayed whilst planning permission is sought); the cost of professional fees (*eg* architects), and demolition/site clearance costs.
- Charity trustees are under a legal obligation to take all reasonable steps to protect the charity’s assets and this includes the provision of adequate insurance. They have powers under the Trustees Act 1925, s.19(1) and the Trustee Act 2000 to insure any charity property and pay the premiums out of charity funds.

Where the organisation is a landlord and responsible for insuring the building, or a tenant who wants to check the adequacy of the insurance provided by the landlord, the following should be considered:

- If the building cannot be occupied, the policy covers loss of rent for a reasonable period (*eg* 2 years). The landlord will then be guaranteed the rent, recovering it directly from the insurers, and the tenant will not be faced with the burden of paying for premises it cannot occupy.
- Provision should be made for the apportionment of insurance monies between the landlord for the reinstatement cost of the building and the tenant to compensate for the cost of any improvements.

Contents insurance

The contents of business premises should be insured against damage and loss. Valuable items might best be protected by an ‘all risks’ policy which covers damage occasioned by most events (and can cover property when it is outside the building), but generally excludes war; nuclear contamination; wear and tear, riot and civil commotion.

Charity trustees are under a legal obligation to arrange adequate insurance but in certain situations this may not be affordable if the value of the insured items is too high (e.g. exhibits in a museum). In these situations guidance must be sought from the Charity Commission.

When arranging contents insurance you need to decide whether the policy should:

- be on a 'new for old' basis
- be index linked
- cover losses from theft
- cover accidental damage
- cover goods or cash in transit
- cover specified high value items such as computers.

Public liability insurance

Public liability insurance is not mandatory but is considered essential where your organisation interacts with the public through the use of its building, provision of services or its employees. This type of insurance covers death, injury, illness or damage to property incurred by members of the public as a result of the organisation's activities. Many service contracts require the provider to take out public liability insurance. It typically excludes liability covered by other policies such as:

- employer's liability
- motor vehicles
- liability arising under contract
- professional negligence
- product liability.

Public liability insurance generally extends to volunteers and trustees (although this should be confirmed with your broker/adviser). Where volunteers are included it is important to ensure they are covered when working in other peoples' homes, or in other premises or on external activities such as play-schemes or environmental projects. You should also check that volunteers above or below a certain age are not excluded under the policy and always inform volunteers about the insurance cover which applies to them generally.

Other costs

Apart from the more generic costs previously mentioned and depending on the type of use etc some or all the following may apply:

- Rates (Council Tax) – most local authorities will give a considerable discount to registered charities.
- Telephone line charges and call costs.
- Internet connection (Broadband/dial up).
- Cleaning.
- Window cleaning.
- Cleaning materials.
- Fire extinguishers (and servicing).
- Commercial refuse collection.
- Annual equipment servicing (boilers etc).
- First aid equipment.

- Routine maintenance.
- Portable Appliance Testing.
- Grounds maintenance (grass/hedge cutting).
- Fire/burglar alarm.
- Licensing (i.e. for sale of alcohol/regulated entertainment).
- Performing Rights Society Limited (copyright).
- Phonographic Performance Limited (sound recordings in public).

Further Information

Community Matters
Advice Line 08707 272 373
communitymatters@communitymatters.org.uk
www.communitymatters.org.uk

Department for Environment, Food and Rural Affairs web site
www.defra.gov.uk

HM Revenue and Customs (HMRC)
Tel: 0845 010 9000
www.hmrc.gov.uk

OFWAT (The Office of Water Services), Centre City Tower, 7 Hill Street, Birmingham, B5 4UA
Tel: 0121 625 1300

Charity Commission for England & Wales
Tel: 0845 3000 218
www.charitycommission.gov.uk

Climate Change Levy
www.cclevy.com

Phonographic Performance Ltd
Tel: 0207 534 1000
Fax: 0207 534 1111
www.ppluk.com

Note on Rate Relief
www.socialenterprise.org.uk/uploads/files/2012/07/noteonraterelief_july_2012.pdf

Performing Rights Society (PRS)
Tel: 0845 3093090 (Existing licence holders)
Tel: 0800 0684828 (New licence applications)
www.prs.co.uk

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The information provided in this sheet is intended for guidance only. It is not a substitute for professional advice and we cannot accept any responsibility for loss occasioned as a result of any person acting or refraining from acting upon it.

For further information contact

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