

Geneva Group International
Charities Workshop, Lucerne, 16th May 2009.

Managing Charities in the current Economic Downturn – opportunities for Charities in a downturn – Top tips for Charities.

1. A discussion took place as to the definition of and the different types of charities, including government funded non-profit institution, such as universities, medical research facilities etc, and private charities reliant on outside funding.
2. Lengthy discussion on Tax and, in particular, VAT issues affecting charities. In particular the differences between Exempt, zero rated and standard rated VAT issues were highlighted and the impact on charities.
3. Agreed that charities must be ran and controlled in a business like manner including effective controls, checks and balances. Charities must improve audits and must be managed in a financially efficient manner and must be run in a business like manner. Very often Trustees who act in a selfless and socially responsible manner throw out all their business acumen when dealing with charities
4. Charities are an effective private way to fulfil social duties and responsibilities.
5. Some issues must be resolved at a European level and not just at a national level, especially, double tax and VAT issues.
6. The differing types of income of charities was discussed, including, pure donations, trading income, state funding and a combination of more than one.
7. Gordon explained the method of overcoming the tax issues of trading income of charities in the UK by the charity forming an underlying, wholly owned trading subsidiary which carries out all the trading activities of the charity and covenants up to the charity a tax deductible donation equivalent to the trading profit of the company each year.
8. This led to a discussion on the different tax issue in each country and the need for local expertise in each country when setting up and administering charities.
9. Gordon raised the difficulties and the solutions in dealing with cross border issues relating to both income and expenditure and the tax effective ways of dealing with such issues. Agreed that each case had to be dealt with on its own merit depending on the countries and issues involved.
10. As an aside, the special cases of authors' gifts to charities including copyrights and royalties were discussed including Double tax treaties.
11. Gordon mentioned how GGI members helped with the issues and problem solving of a USA based charity dealing with property acquisitions in the Former Soviet Union through subsidiaries formed in the FSU and in Cyprus.
12. In passing it was agreed that doing pro-bono work does no harm for business and highlights the Social/Corporate responsibilities of the firm.
13. Gordon distributed two sets of notes on "A guide to managing in a downturn" and "Top tips for charities in weathering the current storm". These were discussed in detail.