



FACTSHEET 25

Charity Registration

Why, How to Register and advantages / disadvantages of registering your charity?

What is a Charity?

Put simply, a Charity is an organisation that exists for public benefit and which has purposes (i.e. aims or objects) which fit one of the legally defined Charitable purposes, i.e.

What is Public Benefit?

'Public benefit' is the legal requirement that every organisation set up for one or more charitable aims. Organisations must be able to demonstrate it's aims are beneficial to the public and may include:-

1. The prevention or relief of poverty;
2. The advancement of education;
3. The advancement of religion;
4. The advancement of health or the saving of lives;
5. The advancement of citizenship or community development;
6. The advancement of the arts, culture, heritage or science;
7. The advancement of amateur sport;
8. The advancement of human rights, conflict resolution or reconciliation or the promotion of religious or racial harmony or equality and diversity;
9. The advancement of environmental protection or improvement;
10. The relief of those in need, by reason of youth, age, ill-health, disability, financial hardship or other disadvantage;
11. The advancement of animal welfare;
12. The promotion of the efficiency of the armed forces of the Crown or of the police, fire and rescue services or ambulance services;
13. Other purposes currently recognised as charitable and any new charitable purposes which are similar to another charitable purpose.

How do I set up a Charity?

You need at least three people who will be the trustees of the Charity. These must be people who have nothing to gain from their involvement (i.e. they can't be people who will expect to be paid by the Charity, or who expect the Charity to use their property or services for instance).

You need to agree on your objects (sometimes called aims—the purpose of your Charity). This needs careful wording as inclusion of anything that is not legally Charitable will prevent your organisation from being a Charity.

See Charity Commission publication CC21 for further information.

What are the requirements for becoming a registered charity:

You need to have the appropriate governing document for the Charity adopted and signed by the committee/directors. The Charity Commission provide model governing documents, alternatively seek support from Dudley CVS.

Don't Charities have to be Registered anyway?

No, Charities must register with the Charity Commission (CC) if they have an annual income of over £5,000. Also,...

Excepted Charities

Excepted charities always have and continue to be under the supervision of the CC.

Excepted Charities - What are they?

Excepted charities are charities that they are already sufficiently regulated by a parent body which can vouch for the charitable status if required by the public to do so. However, due to the 2006

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Charity Act, **excepted** charities with an income over £100,000 now needs to apply for charity registration in their own right.

Examples of **excepted** charities can include denominations of the Scouts and some religious organisations.

Exempt Charities

What are they?

- Exempt charities are institutions established for charitable purposes which are included in Schedule 2 to the 1993 Act; or
- a common investment fund or a common deposit fund established by a Scheme of the Commission which permits only exempt charities to participate

Examples of exempt charities can include:

- Higher Education Corporations.
- Registered Industrial & Provident Societies
- Registered Friendly Societies.

Note: From October 1st 2009 exempt charities that are not subject to any other principal regular will need to apply to the CC for registration if they have an income over £100,000.

We are already registered with Companies House. Is that enough?

Presently, it is not a choice between being registered with Companies House and the CC. If a Company is charitable, its trustees have a legal duty to register with the CC.

Who do we register with to become a registered charity?

Any charitable organisation with an income over £5,000 unless determined excepted or exempt guidelines, will need to register with the Charity Commission for England & Wales.
www.charitycommission.org.uk

What are the costs for registering a Charity with the CC?

There is no fee for registering your organisation with the CC. Presently, it does cost £20 to register with Companies House. Additional costs which may be incurred include:

- Legal fees should you use the services of a solicitor.
- Stationary costs—Charities and registered companies must print their registered numbers.

How do we apply for Charity Registration? Registration—apply on-line!

Organisations affiliated to an umbrella body AND have a governing document approved by the Commission can apply on-line
www.charitycommission.org.uk alternatively,

registration forms are available to download:

CC5a - Application for Registration

CC5b - Application for Registration Guidance

Notes

CC5c - Trustees Declaration

Is there additional information I need to forward?

In addition to the completion of the above document, you will need to forward to the Charity Commission a copy of your governing document and evidence of income e.g. accounts etc. You may also be asked to produce additional information such as copies of policies and procedures and recent information/marketing literature regarding successes to your organisation.

What happens when an application is received?

The charity commission will acknowledge that they are in receipt of your application or alternatively, will notify you should documentation regarding your application is missing. An initial response to your application should be made within 15 days.

How long does Charity Registration take?

Once all forms listed above are completed and signed by Trustees, a timescale averaging around 40 days is common. Decisions are normally made earlier should a charity use an approved governing document.

What happens once your organisation is registered?

Once registered you will continue involvement with the Charity Commission e.g. your organisation will appear on the register of charities and you will have to complete an annual return to the Commission. Charity Commission InfB explains in greater detail.

Advantages @ disadvantages of Charity Registration?

The advantages and disadvantages of becoming a charity are considered below:

The Advantages of being a Charity

- Jurisdiction of Charity Commission

The public and sponsorship bodies can be confident that the charity is administered correctly and the funds will be used for the purpose for which they are intended. Fund raising may therefore be easier than for non-charitable organisations.

goods.

- Advice

The Charity Commission can provide advice and information to assist charity administration.

- Tax

Income earned by charities undertaking primary purpose or ancillary trading will be exempt from **Income Tax** provided the income is applied for charitable purposes;

Charities are not liable to pay **Corporation Tax** which is charged on clubs, societies and voluntary organisations;

Exemptions from **Inheritance Tax** apply on gifts and undervalue transfers to charities;

Stamp Duty does not apply on transfers or conveyances to a charity;

Gains accrued when charities apply assets for charitable purposes are exempt from **Capital Gains Tax**.

There is further information on the Inland Revenue website: www.inlandrevenue.gov.uk
In particular Annex 1 – Charitable Tax Exemption, go to www.inlandrevenue.gov.uk/charities/annex_i.htm

Only 20% of the normal **business rate** is paid by charities on buildings which are occupied for their charitable purposes. A 100% exemption can be applied at the discretion of the local authority. You need to apply in writing to the Revenue and Finance Centre, Dudley MBC. You will then receive a form to be completed and returned.

The **Gift Aid** scheme allows charities to reclaim the tax on donations from individuals. Businesses receive tax relief when they make donations to charity.

- VAT

There is no blanket exemption for charities from the VAT system. However, certain supplies made to charities are specifically relieved from VAT. These supplies include:

Some advertising services;

Certain sound recording equipment supplied to charities caring for the blind;

Certain sea rescue equipment;

Goods donated to charities for sale or export;

Certain construction services;

Certain supplies of donated medical and scientific

This list is not exhaustive. You will find further details and information on VAT on the Customs and Excise website: www.hmce.gov.uk. Look for notice 701/1 on Charities. The Customs and Excise help line telephone number is: 0845 010 9000.

Only those charities that are registered for VAT purposes can reclaim the VAT they are charged, and even then there may be restrictions on the amount they can recover. VAT that can be reclaimed is referred to as input tax. Again there is more information on the Customs and Excise website.

Charities must register for VAT purposes when the income from their taxable business supplies exceeds a certain limit. The current VAT registration threshold is £58,000 (1 April 2004), however this threshold is regularly reviewed and generally increases with each Budget. Charities can also apply to voluntarily register for VAT purposes if they make taxable supplies below this limit. Further details and information can be found on the website in Notice 700/1 Should I be registered for VAT?

The Disadvantages of Being a Charity

- Exclusively charitable

An organisation with a range of activities, including non charitable activities, could find that charitable status restricts its current activities. The objects of a charity must be exclusively charitable.

Political or campaigning organisations are unlikely to be afforded charitable status.

- Limited Trading

There are rules limiting the fund raising and the extent of trading that can be carried on by charities. Charities therefore often require a separate charitable company to undertake their trading activities.

- Limits on Trustees

Trustees are not generally allowed to benefit financially from the charity, unless, in limited circumstances specified by the charity's governing document or the Charity Commission. They can only recover reasonable expenses. Trustees must also avoid personal interest, which would conflict with acting in the best interests of the charity.

- Administration

There are administration requirements imposed upon

charities including Annual Returns and financial reporting.

Compulsory Registration as a Charity

Under the Charities Act 1993, organisations with exclusively charitable purposes and an income of over £5,000 must register as a charity.

There is a great deal of information on the Charity Commission website: www.charity-commission.gov.uk

Charity Commission

Tel: 08703 330123

Email:

enquiries@charitycommission.gsi.gov.uk


Additional Support

Should you require additional support on registering or re-registering your charity please do not hesitate to contact either:

The Charity Commission on
www.charitycommission.gov.uk - e-mail link
Telephone 0845 3000 218
Fax: 0151 7031 555
Post Charity Commission Direct
PO Box 1227
Liverpool
LG69 3UG

FURTHER HELP

Core Services
Dudley Council for Voluntary Service
7 Albion Street
Brierley Hill
West Midlands
DY5 3EE

 01384 78166

www.dudleycvs.org.uk