

# Registering as a Charity

A registered charity is an organisation that has been set up to benefit the public or a substantial section of it, has been accepted as charitable by the Charity Commission and formally registered with it and sends information to the Commission annually or as requested. In return the charity has a charity number and receives tax and other benefits from the state.

A charity's main features are that:

- it is for public benefit, not private gain
- is not-for-profit
- can only trade if it is directly connected to its charitable purpose
- should not exclude people from its services by charging too much - any charges that are made must be reasonable.
- makes its work and benefits widely available. Some organisations are not charitable as the work only benefits their members, for example self-help groups and cooperatives
- is overseen (usually) by an unpaid board of trustees who do not benefit personally from the charity
- usually involves other volunteers
- may have paid staff to run its activities
- can campaign only if relevant to its objects and not in a political way

### Charitable aims and objectives

To register as a charity your organisation must meet the definition in the Charities Act 2011: 'a charity is a body or a trust that is for charitable purpose that provides benefit to the public.'

The Act lists 13 charitable purposes; 12 specific headings and one general heading. Any charity must have purposes that fall within the 13. Your charitable purpose will be in the 'objects' clause of your governing document. The listed purposes are:

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 efficiency of the police, fire and rescue services or ambulance services
13. other purposes that are currently recognised as charitable or are in the spirit of any purposes currently recognised as charitable



### Public Benefit

All charities must have charitable purposes that benefit the public. The Charities Act requires that all organisations in the register of charities must be able to demonstrate purposes to the public. All organisations applying for registration must provide evidence that their charitable purposes will be for the public benefit.

### What are the benefits of registering as a charity?

**Public recognition:** charitable status gives an organisation respectability and reassures the people that you are working with or seeking money from.

**Tax relief:** charities do not pay income tax or corporation tax, amongst other benefits. They may also claim back the tax paid on donations that are made to them.

**VAT relief:** charities are liable to pay VAT on most things but can pay at a lower or zero rate on some building works, on providing disability equipment and on heating and lighting.

**Council tax:** charities receive a mandatory 80% off the council tax bill for any property they occupy. The local authority has the power, if it chooses, to waive the remaining 20%.

**Funding:** registered charities may find it easier to get grants from some funders, although most are now prepared to make payments to charitable organisations through a third party charity such as VODA.

**Free advice:** registered charities can get free advice and support from the Charity Commission about being a charity.

### What are the disadvantages?

- Charity law can limit your activities, such as political campaigning
- You can only trade in limited circumstances, related directly to your objects
- You must provide the Charity Commission with certain information each year, such as annual reports and accounts
- There are also additional rules and requirements to meet
- Trustees cannot be paid other than for out of pocket expenses so charities are unsuitable for cooperatives and similar worker controlled organisations

### Applying for registration as a charity

Before you can register, your organisation must have:

- exclusively charitable objects and be for the public benefit
- a charitable constitution and income of over £5,000 per annum

If you think this applies to your organisation, you should register as a charity.



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You also must be able to demonstrate that there is a need for your organisation and that it will succeed. You need to be able to answer the following questions:

- What activities do you want to run and are you able to provide them?
- If you are planning to work with children or vulnerable adults do you have systems in place for making sure that everyone that needs to be will be checked?
- Is anyone else in the area already doing something similar?
- Will you be able to raise the money you need?
- Are you absolutely sure that you and your other committee members are ready to take on the job of running a charity?

### Application pack

All applications to become a registered charity must be made online, on the Charity Commission website. Don't worry, you don't have to complete it all in one go - you can start your application and save the information to finish at a later date. VODA can help you to complete the form.

You will be asked for a range of information in the application form, including:

#### **Name of the charity:**

You cannot pick a name that is already being used by another charity. VODA can help you to check the names of charitable organisations and companies or see the Charity Commission website.

The Commission will also reject anything that could be misleading or offensive. Certain words cannot be used by charities without the express permission of the Charity Commission, such as Royal, English, Registered, Windsor. VODA has a full list of these restrictions.

#### **Area of benefit:**

You will be asked what geographic area you want to cover. It could be Tyne and Wear, North Tyneside, a single ward, a parish, an estate, anywhere that people can recognise and identify. You would normally add '...and surrounding area' to allow flexibility. And, don't forget you may want to grow in the future.

#### **What are your objects?**

Your organisation's objects must be exclusively charitable as defined by the 13 charitable purposes (see page 1). The objects are your overall aims and they are different to the activities you will be carrying out. For example, your activity may be running an after school club, but your object would be "to advance the education of children under the age of 16."

#### **Your activities:**

The form asks you to provide details about the activities your organisation carries out and will carry out in the future - for public benefit - so, for example, by providing a community centre, running English classes, maintaining the lighthouse grounds or running a playgroup.



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### **Financial information:**

You will need to give details of the organisation's bank account and provide basic financial information. This can be either a set of accounts, if you have been running for long enough, or details of the income you hope to get and what you plan to spend it on.

You should include information on how you have already raised money, details of any funding applications made and whether any money has been pledged to the organisation for the future. Please note that the Charity Commission will not register an organisation that has debts without a clear achievable plan of how you will clear them.

### **Trustees:**

To be a charity your members will have to elect a committee that is responsible for running the organisation. In a charity these committee members are known as trustees. They have very clear legal responsibilities, duties and liabilities and the Charity Commission asks for their details.

There are some people who cannot be charity trustees, including anyone who has been convicted of an offence involving dishonesty or who is an undischarged bankrupt. There is also a lower age limit of 18. See Information Sheet 2.1 and the Charity Commission booklet CC3 for more information on this.

You will need at least three people willing and able to be trustees before you can register. All trustees need to provide their details for the application form, including name, date of birth and home address. Also, all trustees need to sign the declaration included in the registration pack.

### **Constitution:**

You will need to include a copy of your constitution, accepted and formally adopted by all of your members (not just the people on your committee). The chair or secretary should write on it: 'I certify that this is a true copy of the original' and then sign and date this statement.

If you have a simple constitution, (a four-page template is generally provided by VODA), you will need to change the constitution to a more complex one. This is to demonstrate to the Charity Commission that you have robust procedures and systems in place.

If you do not already have one, VODA Information Sheet 1.3 gives general advice on drawing up a constitution. We can also support you to develop a new charitable constitution

To be charitable your constitution must:

- have charitable objects
- make it clear that trustees cannot normally receive payment for their work
- state that, if the charity is wound up, any assets are given to another charity

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### What happens next?

Once you have sent off the application, expect to wait four to seven weeks for an initial response. You may be told at this early stage that you have been registered and will be issued with your registration number.

However, it is not unusual for the Commission to ask for more information or clarification or to make suggestions. They may, for example:

- suggest changes to your objects clause to make it clearer or more obviously charitable.
- suggest changes to other clauses in your constitution.
- want clarification about your activities and your ability to carry them out.
- ask for copies of information such as a Child Protection Policy if you are working with young people.

Remember that if the Commission suggests changes to your constitution, these will have to be agreed at a meeting that your whole membership has been invited to. You will need to include the minutes of this meeting when you return the changed constitution.

The Charity Commission may also reject your application for a number of reasons, including:

- they have decided your objects aren't exclusively charitable
- you are a self help group or a club and don't provide a wide enough public benefit
- you are a political or campaigning organisation
- you are carrying out activities exclusively on behalf of a statutory body
- there are suspicions about the trustees or their motives for setting up a charity

If you are unhappy with a decision of the Charity Commission you may ask for it to be referred to the Charity Tribunal.

### Information from the Charity Commission

The Charity Commission has a number of relevant publications for organisations thinking about registering as a charity:

#### **CC3: The Essential Trustee - What you need to know**

Outlines what is required of a charity trustee, including your responsibilities to your charity.

#### **CC21b: How to register your charity**

Explains what a charity is, how it is set up, when you need to register and how you can become registered.

#### **CC22b: How to write your charity's governing document**

Choosing and preparing a governing document – gives guidance on the different types of (governing documents) a charity might use. The Charity Commission also has model constitutions which organisations can use to save time when registering.

#### **CC10: The hallmarks of an effective charity**

How charity trustees can set standards to improve the effectiveness of their charity's work.



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All of the information can be downloaded from:

[www.gov.uk/government/organisations/charity-commission](http://www.gov.uk/government/organisations/charity-commission)

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