

# INFORMATION SHEET 1.7



## CHARITABLE INCORPORATED ORGANISATIONS (CIOS)

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CIOS are a relatively new legal structure, under the Charities Act 2011, designed specifically and only for charities. It is for new and existing charities that want the benefits of incorporation but without the dual regulation under charity law and company law.

CIOS have the benefit of legal personality and limited liability, but are solely registered with, and regulated by the charity Commission for England and Wales.

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The CIO status is suitable for charities that:

- Own land in their own name
- Control substantial funds or assets
- Enter into contracts, for example by employing staff or
- Engage in charitable activities involving financial risks

A CIO is a corporate body (like a company) and can own property, employ staff and enter into contracts in its own name (rather than in the names of the trustees).

Members of CIO may have either no liability or (like a company) limited liability for its debts. Also:

- Members must comply with extra regulations
- CIOs do not have to register with Companies House
- Unlike companies CIOs will not be fined for administration errors
- All CIOs must register with the Charity Commission regardless of their income, even if they have an income of less than £5,000
- A CIO cannot be an exempt charity

Trustees will be protected in most circumstances against contractual liabilities, having limited or no liability for the debts of the CIO. This may make it easier for charities to recruit and retain trustees.

CIOS must:

- have their principal office in England or Wales

- submit annual return and accounts regardless of income (charities currently don't have to submit returns with incomes of less than £10,000)
- keep a register of members and a register of trustees
- register any constitutional changes with the Charity Commission or they will not be valid

There are two types of constitution for CIOs:

**1. Foundation model:** where only voting members will be the charity trustees, like a charitable trust, ran by a small group of people (the trustees) who make all key decisions. There may be no time limit on how long charity trustees may serve and they will probably appoint new charity trustees.

**2. Association model:** where you have a wider membership, including voting members other than the trustees such as community associations, sports clubs, who must make certain decisions and appoint some or all of the trustees.

VODA can help you through this process.

### ACCOUNTING AND REPORTING

CIOS must produce accounts under charity law, regardless of income. Accounts and annual reports must be submitted to the Charity Commission within ten months of the end of their financial year, regardless of annual income.

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- CIOs with a gross annual income of £250,000 or less can choose to prepare receipts and payments accounts.
- CIOs with a gross annual income more than £250,000 must prepare accruals accounts.
- CIOs with an income less than £250,000 are able to prepare accruals accounts if they want to.

Contact VODA's Finance team for more information on accounts.

### REGISTRATION PROCESS

All new CIOs will have to follow the same process as registering as a charity, however they need to adopt a constitution suitable for CIOs (see VODA Information Sheet 1.4 Registering as a Charity).

### CONVERTING TO CIO

If you are an existing unincorporated association or charitable trust and want to convert to a CIO, you will need to follow a legal framework. The existing company will simply be re-registered as a CIO with a new constitution. Remember you will be a new legal entity so you will have a new registered charity number. You also need to inform banks, funders, and suppliers and ensure all contracts are transferred to the new CIO.

If you have permanent endowments you will need to transfer them:

- Set up and register the new CIO
- Make a vesting declaration under section 75E of the Charities Act 1993. This transfers all the property to the new CIO

Remember: Vesting declarations are legal documents so you may need to take legal advice.

### CAN A CIC CONVERT TO A CIO?

There are provisions in the Charities Act 2006 to enable a CIC (Community Interest Company) to convert to a CIO. However further regulations are needed to complete the legal framework for these conversions. The Office for Civil Society is responsible for this and that work is ongoing.

Charitable and Industrial Provident Societies are exempt charities and currently exempt charities cannot convert to CIOs. The charities Act 2006 provides scope for this to exemption to be removed in the future.

### RELATED DOCUMENTS

- 1.1 Starting a Group
- 1.2 Definition and Structure in the Voluntary Sector
- 1.3 Writing Your Constitution
- 1.4 Registering as a Charity
- 1.5 Becoming a Charitable Company
- 1.6 Incorporating an Existing Charity
- 1.7 Charitable Incorporated Associations
- 1.8 Charitable Status and Sport

**If you would like further support, contact our Core Services Team on 0191 643 2636 for more information.**

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