

WE KNOW /

YOU WANT TO KNOW ABOUT
THE NEW LEGAL STRUCTURE
FOR CHARITIES

Legal structures for
charitable organisations
are changing. Learn about
'Charitable Incorporated
Organisations' here...



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CHARITABLE TRUSTS OR LIMITED COMPANIES /

CHARITIES IN ENGLAND AND WALES HAVE TRADITIONALLY BEEN STRUCTURED AS EITHER CHARITABLE TRUSTS OR LIMITED COMPANIES.

As neither structure was specifically designed with charities in mind, they both have drawbacks as follows:

- 1 Charitable trusts offer little protection to the trustees who can be faced with legal action should anything go seriously wrong as all legal agreements are entered into in the name of the trustees and therefore they are personally liable for all actions of the charity.
- 2 Charitable companies are a separate legal entity capable of entering into legal contracts in their own right so afford protection to the trustees not offered by the trust structure, however charitable companies are governed by both Charity and Company law leading to separate accounts and annual returns being filed with the Charity Commission and Companies House so increasing the reporting burden on the organisation.

A THIRD STRUCTURE HAS NOW BEEN INTRODUCED, WHICH IS KNOWN AS A CHARITABLE INCORPORATED ORGANISATION (CIO) AND HAS BEEN SPECIFICALLY DESIGNED WITH CHARITIES IN MIND.

3. A Charitable Incorporated Organisation is a corporate body with limited liability so offering protection to the trustees in the same way as the charitable company, however it is solely registered with the Charity Commission and is therefore governed purely by the Charities Act 2011. This structure is designed to offer the trustees the same advantages of the limited company structure with much simplified reporting.

In order to encourage charitable companies to take advantage of this new structure a simplified process has become available that will allow charitable companies to simply convert to CIO's without the need to close down the original charity. The dates that this conversion become available (not limited to those dates) are based on income levels as detailed below:

1 January 2018	- less than £12,500
1 March 2018	- between £12,500 and £25,000
1 May 2018	- between £25,000 and £100,000
1 June 2018	- between £100,000 and £250,000
1 July 2018	- between £250,000 and £500,000
1 August 2018	- greater than £500,000

Should a charitable company be looking to convert to a CIO it is likely that they would do so at the end of their financial year.

Under the simplified process, the charity continues to exist (same name / charity number).

Charitable trusts are not able to use this simplified process and therefore must effectively set up a new charity.

To learn more about this process or for help and guidance on how to convert to a CIO please speak to Nick Cunningham in our Not for Profit team:

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