

1.8. Charitable Status

The information below is an overview of requirements and for further more detailed information, support and guidance plus associated templates etc please contact the BVA Group Development Team via telephone 01256 423816 or email admin@bvaction.org.uk (please quote "BVA Group Assistance" on title). www.bvaction.org.uk

It is often assumed that, if an organisation is 'not-for-profit', it must necessarily be a charity. This is not the case. Although a charity is established for a purpose other than making a profit for its shareholders and owners that is not what defines a charity. To be a charity, an organisation must have **a charitable purpose as defined by the law AND exist for the public benefit.**

Registering with the Charity Commission does not make a group into a charity; registering simply turns an existing charity into a registered charity.

The **Charity Commission** is the government agency that regulates charities (and hence most churches) in England and Wales. Charities in Scotland and Northern Ireland are regulated by other organisations. In the UK today there are probably over 500,000 voluntary organisations – fewer than 200,000 of these are registered charities.

In the UK a charity must register with the Charity Commission if:

- ✓ Its purposes are defined by law as charitable (first and/or second group):
 - FIRST GROUP: relief of financial hardship
advancement of education, and
advancement of religion
 - SECOND GROUP: certain other purposes for the benefit fo the community
- ✓ Its purposes are for the public benefit
- ✓ It complies with ONE or MORE of the minimum requirements for registration:
 - An income of more than £5,000 a year, or
 - The use or occupation of any land or buildings, or
 - Assets which constitute permanent endowment (i.e. where there is a restriction on the expenditure of the capital and (normally) only the income can be spent on the charity's purposes)

Charities with income under that threshold **still need to comply with Charity Law** as per the CHARITIES ACT 2011 which came into effect 14 March 2012.

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Charities can be organised in a number of different ways, and each type will require different governing bodies and documents that set out the charity's objectives and how it should be administered. The most common types of charity are:

Type of Charity	Governing Document	Steering Committee
Unincorporated Club or Association	Constitution or Rules	Executive or Management Committee
Unincorporated Trust	Trust Deed	Board of Trustees
Company Limited by guarantee	Articles and Memoranda	Board of Directors

Once registered, charities have to obey a number of rules, which include regulations covering trustees, accounts, finances and management. Those that are registered as companies have to comply with company law too. A registered charity is not allowed to have political objectives or take part in political lobbying other than in a generally educational sense.

Trustees are obliged to [produce an annual report](#) which summaries activities.

Advantages of becoming a charity

- ✓ It is easier to raise funds. Many funders give grants only to registered charities, although very small community groups are usually eligible even if they are not registered
- ✓ You are entitled to tax relief on several taxes and reduced business rates on your premises; and you may reclaim the tax on covenants and other donations by individuals
- ✓ Registration lets the public know that your group is a legitimate organisation and is being monitored by the Charity Commission
- ✓ You will be eligible for advice and help from the Charities Commission in areas including tax and VAT

Disadvantages of becoming a charity

- ✓ Regulation - charity law imposes high standards of regulation and bureaucracy
- ✓ Trading, political and campaigning activities are restricted

Obligations of a Charitable Organisation

Any charity (whether registered or not) must keep to its charitable purposes at all times and comply with charity law. A registered charity must follow Charity Commission rules concerning its annual report and accounts and has the same general obligations of any community or voluntary organisation:

- to follow the aims and rules of its constitution;
- to be well run and managed;
- and to act within the law.