

## Why become a registered charity?

**This bite size resource is a brief introduction to the reasons why groups may wish to become a registered charity and some of the legalities to consider.**

**The first thing to consider when forming a charity is UK legislation.**

A charitable organisation usually must register with the Charity Commission if your charity is based in England or Wales and has over £5,000 income per year. You must however register if your charity is a Charitable Incorporated Organisation (CIO) whatever income you receive per year.

It is important to remember that not all philanthropy is defined as a charitable purpose. To find a full list of charitable purposes please view the Charity Commission website: <https://www.gov.uk/government/collections/charitable-purposes-and-public-benefit>

### Advantages and disadvantages of becoming a charity

Advantages	Disadvantages
A charity is widely perceived as an organisation promoting social or environmental wellbeing. This will help when fundraising and meeting eligibility requirements when bidding for applicable grants.	The <a href="#">Charities Act 2011</a> applies to all charity operations. All actions of the charity must be charitable and not for profit while in keeping with their governing document.
Assets are locked, therefore a charity may only use assets towards their charitable aims and not for private benefit. This will help to prevent any conflicts over of use these assets.	Restrictions may apply on the work a charity can do or fund. Furthermore restrictions apply to types of trading and political activities.
<p>A variety of tax reliefs are available to charities:</p> <ul style="list-style-type: none"> <li>- Primary purpose charitable trading is exempt from corporation tax</li> <li>- Business rate relief of: 80% mandatory and 20% discretionary</li> <li>- Relief on Gift Aid from individual donations</li> <li>- Freeholds and leases acquired for charitable purpose have stamp duty and</li> </ul>	Charities must be regulatory compliant by law. One example is relating to the annual reporting of accounts. The Charity Commission govern and regulate the requirements of a charity. This includes the need to follow all financial and performance reporting as well as reporting any changes in its rules, officers and/or addresses. Reported information will be made publicly available, unless the commission considers it not appropriate to include that information

<p>tax relief</p> <ul style="list-style-type: none"> <li>- Charities are exempt from VAT on some services and goods.</li> <li>- Inheritance tax</li> </ul>	<p>in the public register. For more information visit the <a href="#">Charity Commission</a> website.</p>
<p>The Charity Commission will help and guide a charity, this may help build trust in the community. Also the commission will give you a unique charity number to prove your charity status.</p>	<p>Trustees who direct a charity will not be paid unless the constitution and Charity Commission authorise payment. Any unauthorised payments are prohibited. A professional fee is not prohibited for Trustees although the Charity Commission will need a detailed explanation before allowing the payment. Should a founder wish to be paid they may not therefore sit on the board of Trustees. The most senior post to be paid would be as a CEO.</p>
<p>Your organisation is searchable on the charity register; this means you are viable to supporters and stakeholders.</p>	<p>A charity may not raise equity investment.</p>
<p>Support and cost-effective solutions for charities based in Rotherham are available from <a href="#">Voluntary Action Rotherham</a>.</p>	<p>It can take weeks or even months to go through the application. Reasons for a long application process may be the complexity of what your organisation does, whether you have provided all necessary information from the outset and whether there is doubt to if the work your organisation does is actually charitable.</p>
<p>Charities are an independent organisation and are not part of any statutory body.</p>	

Depending on the organisation some of the disadvantages listed above may in fact be an advantage for your charity specifically.

### Support is available

If you would like further information about becoming a registered charity you may visit the Charity Commission website: <https://www.gov.uk/government/organisations/charity-commission>

Alternatively, if you are based in Rotherham you may also request support from Voluntary Action Rotherham by email [triage@varotherham.org.uk](mailto:triage@varotherham.org.uk) or telephone 01709 829821.

