

Becoming a Registered Charity

There are over 150,000 registered charities in England and Wales. At DDCVS, we are often asked what the benefits of being a Registered Charity are, and if there are any disadvantages. Below is a summary of why an organisation might become a charity, and what you need to consider before doing so.

What is a Registered Charity?

A Registered Charity is an organisation that has charitable objects, and is registered with the Charity Commission, and in some cases also with Her Majesty's Revenue and Customs (HMRC)*. Registered charities have a unique registration number, and details about the organisation appear on the Register of Charities held by the Charity Commission, including details of the people who are the trustees of the Charity. To become a charity you have to apply to the Charity Commission and demonstrate that you have charitable objects; that what you do is of public benefit; that you have plans about how to deliver your charity's objects; and that you have sufficient resources to deliver your charity's objects. There is no charge by the Charity Commission to register a charity.

There are several kinds of Registered Charity, including charitable companies, charitable trusts and charitable incorporated organisations (CIOs), and which model you adopt depends on the activities and scale of your organisation. (See our factsheet on organisational structures.) Registered Charities must be run in-line with the regulations and guidelines laid down by the Charity Commission, and the trustees are responsible for ensuring this. Any organisation that has charitable objects must be registered with the Charity Commission, unless it is too small to register, or it is exempt for some other reason, such as being regulated by a body other than the Charity Commission.

What are the benefits?

The benefits of becoming a Registered Charity are primarily financial and reputational. Registered charities do not usually pay Corporation Tax (unlike a commercial company). They can also reclaim money from HMRC through the Gift Aid scheme, and they can receive tax effective donations by Deed of Covenant. Charities also receive at least an 80% reduction on business rates if they own or lease a premises, and can often get full

100% relief at the discretion of the local authority in their area. There are also a small number of things that charities don't have to pay VAT on, such as advertising. It is also the case that a small number of funders will only fund Registered Charities (e.g. Lloyds Foundation), so being a Registered Charity often opens up more funding options for the organisation. Being a Registered Charity can also give credence to the organisation in the eyes of the general public, funders, and people who might wish to work with your organisation. This might help in gaining more donations and funding, and in promoting the Charity's activities and gaining more clients.

What are the disadvantages?

The disadvantages of being a Registered Charity are few. Contrary to popular belief, charities do not have a lot of reporting to do to the Charity Commission. Most charities simply submit an annual return, including an annual trustees' report and accounts. This can be done on-line at no cost to the Charity. The initial application also requires some work, but this shouldn't take more than a few hours. There are some restrictions placed on charities about activities such as trading and political activity, but most charities are not affected by these to any great degree. Overall, the benefits of being a Registered Charity will almost always outweigh the disadvantages for most organisations.

* Organisations can also register with HMRC as a charity. There are two main reasons that they might wish to do this. Some very small charities that turnover less than £5,000 per year are not eligible for registration with the Charity Commission, but can register with HMRC as a charity, which means that they enjoy the same tax status as other charities. Also, charities that are registered with the Charity Commission also have to register as a charity with HMRC if they wish to make use of the Gift Aid scheme.

For more information and guidance about becoming a Registered Charity, contact Derbyshire Dales CVS on 01629 812154 ext.1 or email enquiries@ddcvs.org.uk