

Legal considerations for launching a charity

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Passionate about making a positive impact? Setting up a charity can be the perfect way to contribute to your community or even globally. This guide offers step-by-step instructions and insights into operating a UK charity.

Understanding charities

Charities are organisations focused on benefiting others rather than personal gain. The UK has over 160,000 registered charities, all defined by the Charity Commission as altruistic entities. Charities often arise to address unmet needs, and often, they emerge from personal experiences or community projects. While major charities get attention, smaller ones can also significantly impact communities.

Charity vs. business

Charities solely serve their charitable purposes, unlike businesses that mix charitable and non-charitable activities. To generate profits through a charity business, consider social enterprises or Community Interest Companies.

Fundraising

Starting a charity requires dedication and sustainable funding. While government grants are common, competition is tough. Relying solely on grants may not be viable. Diversifying funding sources like using the National Lottery grants and creating a solid charity business plan are crucial if you want your charity to have a lasting impact.

A well-crafted business plan guides a charity's operations and understands beneficiaries' needs. Thorough research into your business plan will help you secure

funding, as most applications require a comprehensive plan.

Rules and regulations

Once your charity generates more than £5,000 in revenue, it becomes mandatory to register with the Charity Commission. Registration is a rigorous process, and registered charities must comply with a set of standards outlined by the commission. Before registering, your charity must establish a robust charity structure, which typically involves adopting a governing document and appointing trustees.

Four common charity structures

Unincorporated associations: Suitable for small charities that do not anticipate exceeding a certain revenue threshold. However, trustees of unincorporated associations bear personal liability for the charity's activities, and this structure lacks a separate legal status.

Trusts: Appropriate for charities that already possess funds they wish to contribute to a charitable cause. Trusts also lack a separate legal status.

Charitable incorporated organisations: Charitable incorporated organisations are a relatively new legal structure for charities that combine the benefits of limited liability companies with the simplicity of registering with the Charity Commission.

Charitable companies: Operate similarly to private companies limited by guarantee, providing the flexibility to employ staff, own property, and engage in various business activities. This structure protects personal finances and assets, as the charity possesses its own

legal identity. Additionally, charitable companies must register with Companies House.

Choosing the right charity structure

Selecting the appropriate charity structure for your organisation is a critical decision that impacts various aspects of its operations. Factors to consider include who will run the charity, how it will be governed, and the range of activities it can undertake. Each structure has its advantages and disadvantages, and it is essential to assess your specific needs and objectives before making a choice.

Unincorporated associations are suitable for small charities with limited resources. At the same time, trusts are ideal for those with existing funds to contribute. Charitable incorporated organisations offer the benefits of limited liability companies without the administrative complexity. In contrast, charitable companies provide flexibility in employing staff, owning property, and conducting business activities. You should carefully evaluate your requirements and, if necessary, consult legal professionals to determine the most suitable structure for your charity.

Converting a limited company to a charity

If you currently operate a registered limited company and wish to transition it into a registered charity limited by guarantee, it is possible to change your Articles of Association rather than initiate the process of starting a new charity. This option allows you to leverage the existing structure and resources of your company while aligning its activities with charitable purposes.

By amending your Articles of Association, you can reflect the new charitable direction of your organisation and ensure compliance with charity regulations. Working with legal professionals or utilising online resources can guide you through converting your limited company into a registered charity, enabling a seamless transition while maintaining continuity.

Conclusion

Establishing a charity represents an opportunity to make a lasting impact on society and contribute to causes that align with your values. While the process can be complex, understanding the legal considerations and following the necessary steps outlined in this guide will help you navigate the path to successfully launching your own charity in the UK. By conducting thorough research, crafting a comprehensive charity business plan, and selecting the appropriate structure, you can set the foundation for a sustainable and impactful charitable organisation. Remember, seeking advice and professional support throughout the process can provide valuable insights and ensure compliance with legal requirements, allowing you to focus on making a meaningful difference in the lives of others.

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Note: This article is not legal advice; it provides information of general interest about current legal issues.

