

COMMUNITY ACCOUNTANCY PROJECT

NEW LEGAL FORM OF INCORPORATION FOR CHARITIES

The Charities Act 2006 introduces a new legal form of incorporation which is designed specifically for charities, the **Charitable Incorporated Organisation (CIO)**.

At present charities with a corporate structure fall within the requirements of company law as well as charity law. In particular, they have to register both with the Charity Commission and the Registrar of Companies at Companies House and provide accounts and returns to both. The CIO will combine the advantages of a corporate structure such as reduced risk of personal liability for the directors/trustees without the burden of dual regulation. The other advantages listed below:

- A single registration – a charitable company has to register with the Registrar of Companies at Companies House and the Charity Commission. A CIO will only need to register with the Commission
- Less onerous requirements for preparing accounts – the general regime in the Charities Act 1993 will apply, so small CIOs will be able to prepare receipts and payments accounts, whilst larger charities will prepare accruals accounts
- Less onerous reporting requirements – CIOs will only prepare an annual report under the Charities Act 1993. Under company law, companies have to prepare a directors' report as well
- One annual return to be filed only with Charity Commission
- Less onerous filing requirements – CIOs will only have to send accounts, reports and returns to the Commission. Charitable companies have to send these to us and the Registrar of Companies
- Lower costs for charities – the Commission make no charges for registration and filing of information
- Simpler constitutional form – the Commission will produce model forms of constitution which will include fewer fixed governance provisions than is the case with companies
- More straightforward arrangements for merger and reconstruction – the Charities Act 2006 contains a number of provisions designed to facilitate merger and reconstruction which are not available to charitable companies
- An enforcement regime which does not penalise the charity for the conduct of its directors
- Codified duties for directors and members which reflect the charitable nature of the CIO
- EC company law directives will not apply to CIOs

All the consultation documents can be seen on the [Office of the Third Sector's website](#). A [summary of responses to the consultation](#) is available on the Office of the Third Sector's website. In addition to the summary are details of the next steps in the process to make the CIO available for charities to use. The aim is to begin implementing the CIO provisions in **late spring 2010**.

All existing charities will be able to convert to CIO by following procedures: first new CIO has to be registered and all assets/liabilities to be transferred to CIO according to winding up procedures set out in the existing governing document. Charity Commission should be notified once transfer is complete. Charity commission will then wind up existing charity and remove it from register. The created CIO will have a new charity registration number to be used in all the correspondence thereafter.

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