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Guidance



Setting up a Charity

Philanthropy note (3)

If you are looking for a structure to facilitate giving or to advance charitable work, you like the idea of having your own organisation to invest in, manage and build and you are not deterred by the prospect of ongoing administrative work and compliance, setting up your own charity may be the right option for you.

What is a charity?

A charity is an organisation established to advance a recognised charitable purpose for the benefit of the public. There are currently thirteen charitable purposes under UK law. Some charities are set up to focus on one of those specific purposes, perhaps to advance health, education or to preserve/maintain the environment for example. Others are set up with broader charitable objectives, allowing the trustees to further such charitable aims as they may wish. This is common for grant making charities that are likely to support a range of causes.

Process for setting up a charity

1 Charitable purpose

- Consider what charitable purpose you would like to support.
- Do you want to concentrate on a specific area (e.g. health or education) or have the flexibility to support whatever charities/projects may be of interest in the future?
- Think about what the charity will actually do. Will it simply receive money and then make donations (i.e. be a grant making charity) or will it do more than that (perhaps offer a specific service or facility for the public)? The answer to this question will help determine the most appropriate legal structure for the charity to adopt (see below and philanthropy note 4 for more information on this).

2 Control

- Think about who should be responsible for managing this charity and making the key decisions (deciding how to invest the assets held and ultimately how to apply the income and capital to advance the charitable aims).
- The trustees will have ultimate responsibility, but in some cases an additional layer of accountability may be worth considering. Some powers, such as the appointment of trustees, can be reserved to a separate group of members or even an external body that may have an aligned interest in the running of the charity.

3 Governing document

- Once you are clear on what the charity will do and who will manage/control it, the governing document can be drawn up.
- The governing document is the charity's "rule book", setting out what it can and cannot do.
- The type of governing document that is used will be determined by the legal structure that is chosen (see philanthropy note 4 for more information on choice of structure).

4 Charity Commission registration

- The charity will need to be registered immediately if the charity takes the form of a charitable incorporated organisation (see philanthropy note 4 for more information on this structure), or when the charity receives in excess of £5,000 in income, if the charity takes the form of a trust or company (again, see philanthropy note 4 for more information on these structures).
- Registration requires the completion of a detailed online form explaining how the charity will satisfy the public benefit requirement and ensure compliance with other charity law requirements (e.g. by adopting an appropriate grant making policy and/or process for managing conflicts of interest).



5 Ongoing administration and compliance

- Once the charity has been established, there will be a degree of ongoing administrative work.
- Reports and accounts will need to be prepared and filed annually.
- The degree of work required, in terms of the level of scrutiny that the accounts will be subject to, will depend upon the annual income received.
- If your main reason for wanting to set up a charity is simply because you want to give and the thought of taking responsibility for ongoing compliance requirements sounds onerous, careful thought should be given before proceeding.

Get in touch



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