

- They are able to give the public the assurance that they are being monitored and advised by us.
- Model Governing Documents are available on the Commission's website at www.charitycommission.gov.uk/registration/default.asp
- Charities are entitled to a compulsory 80% relief from Council Tax imposed by local authorities; and in many cases the relief given is 100%.
- Some banks and other financial institutions also offer favourable terms to charities.

Specific information

The Charities Act 2006 introduces changes which will have an important impact on charities:

- **Removal of the presumption of public benefit.** Like all charities, religious charities will be required to explain how their purposes benefit the public. Charities must be set up for the benefit of the public and be able to demonstrate this benefit. This generally means that:
 - there must be an identifiable benefit or benefits; and
 - benefit must be to the public, or section of the public.

Further information on public benefit can be found in the Commission's publication *Charities and Public Benefit: Summary Guidance for Charity Trustees*, which is available on our website. In addition, the Commission is carrying out a consultation on religion and public benefit.

- **Income above £5,000:** Generally, only charities with an annual gross income above £5,000 must register with the Commission. The threshold has gone up from its previous level of £1,000.
- **Removal of exception:** The Act provides that charities previously excepted from the requirement to register will have a duty to apply for registration. Frequently asked questions (FAQs) about the faith charities that will be affected can be found on our website. This provision is likely to come into effect in 2009.
- **Removal of exemption:** The Act also clarifies how exempt charities are to be regulated in the future. Some formally exempt charities will be required to register. This provision is likely to come into effect in 2009.

Further information on these changes can be found on our website at www.charitycommission.gov.uk.

The Charity Commission - Who Are We?

The Charity Commission for England and Wales is the regulator and registrar of charities in England and Wales. Our aim is to provide the best possible specialist advice, guidance and regulation including:

- promoting understanding of the law;
- regulation of charities in order to increase their effectiveness;
- increase public trust and confidence in charities;
- spreading good practice;
- making people aware of the work charities do;
- equipping charities to work better by providing advice and guidance;
- promoting legal compliance; and
- investigating complaints into charities.

We recognise and promote the valuable contribution that charities, including faith-based charities, make to society.

Whatever their size or purpose, an essential requirement of all charities is that they operate for the public benefit and independently of government, commercial or private interests. We aim to ensure this happens.

Next Steps: Thinking about registering?

A summary of the main things to think about before registering a charity can be found on our website under *Registering a Charity*. We also have guidance *Registering a Charity* (CC21) that provides more detail about this. All our publications can be downloaded from the website or you can obtain printed copies by phoning Charity Commission Direct on **0845 300 0218**.

The registration team is working to an average case length of approximately 40 days per application, however, the more complex the application the longer the time needed to completion. The registration team deals with approximately 7,000 applications per annum of which around 5,000 lead to registration.

If charities are not set up in the right way and with a good framework for their governance and administration they are likely to run into difficulties. We have guidance *Choosing and Preparing a Governing Document* (CC22) that provides advice about this.

Further information on the Faith and Social Cohesion Unit and recent press releases are available on our website at www.charitycommission.gov.uk.

Registering as a faith based charity



- ❑ Do you serve the community?
- ❑ Are your activities funded by public donations?
- ❑ Do you have identifiable beneficiaries?
- ❑ Do your purposes benefit the public?
- ❑ Do you have an annual income exceeding £5,000?
- ❑ Do you collect religious donations?
- ❑ Are funds applied internationally?

If you have answered 'yes' to any of the above criteria then your organisation may be a charity. If so you can take advantage of the benefits that registering as a charity can bring.

What is a charity

Charities are part of British life. They range from small groups meeting local needs with few resources to the well-known major charities with budgets of millions.

The 190,000 charities registered with the Charity Commission have an annual income of £45 billion, almost 600,000 paid staff and 900,000 trustees. They have a wide range of purposes, and seek to achieve them through many different routes. Currently there are 25,000 faith based charities registered with the Commission.

A charity is an organisation that is set up to fulfil one or more purposes that the law has recognised as charitable.¹ It cannot have some charitable purposes and some that are not charitable. The legal meaning of charity does not always coincide with what people in general would consider to be a good cause.

A charity must have purposes for the benefit of the public. The people who run the charity (its trustees) and relatives or closely related companies cannot benefit personally unless this is as an inevitable consequence of carrying out the organisation's purpose.

There are a number of religions which are capable of being charitable, for example, Baha'i, Buddhism, Christianity, Hinduism, Islam, Jainism, Judaism, Sikhism and Zoroastrianism. Faith communities often provide assistance to those in need, and may provide a focus for the community in and through the place of worship or a community centre. All of this would normally be possible under the charity umbrella.

1

The Charities Act 2006 defines a charity as a body which:

- is established for a purpose described in the Act; and
- is for the public benefit.

The purposes described in the Act are listed below and will come into effect in 2008. Explanatory notes on each purpose are available on the Commission's website at

www.charitycommission.gov.uk/spr/corcom1.asp

This list covers the majority of purposes which are already charitable; the last category means that everything which is currently charitable is included.

- the prevention or relief of poverty;
- the advancement of education;
- the advancement of religion;
- the advancement of health or the saving of lives;
- the advancement of citizenship or community development;
- the advancement of the arts, culture, heritage or science;
- the advancement of amateur sport;
- the advancement of human rights, conflict resolution or reconciliation or the promotion of religious or racial harmony or equality and diversity;
- the advancement of environmental protection or improvement ;
- the relief of those in need by reason of youth, age, ill-health, disability, financial hardship or other disadvantage;
- the advancement of animal welfare;
- the promotion of the efficiency of the armed forces of the Crown, or the efficiency of the police, fire and rescue services or ambulance services; and
- any other purposes charitable in law.

What are the main advantages of being a charity?

The public and in particular funders, are more likely to donate to registered charities because they know that they come under the Charity Commission's regulatory framework.

Charities benefit from attractive tax breaks. They **do not normally have to pay:**

- ✓ **Income Tax:** on income from investments, land and property provided the income is applied for charitable purposes;
- ✓ **Corporation Tax:** on income earned from trading activities provided the profit is applied for charitable purposes;
- ✓ **Capital Gains Tax:** on gains made on the sale of assets provided the income is applied for charitable purposes;
- ✓ **Stamp Duty:** on transfers or conveyances to a charity; and
- ✓ **Business Rates:** charities pay no more than 20% of normal business rates on the buildings which they use and occupy to further their charitable purposes.

People who give to charities can do so in a way that increases the value of their gift.

- ✓ Under the **Gift Aid** scheme, UK charities can claim back the basic rate tax that an individual has already paid, this amounts to 28p per pound. Higher rate tax payers may also be able to personally recover the difference between the basic and the higher rate of tax on the gifts they have made. The scheme also allows UK companies to make gifts of money to charity before any tax is deducted.
- ✓ Gifts made to a charity by a bequest in a will are free of **Inheritance Tax**.

Additional benefits

Other benefits for registered charities include:

- Access to a range of free advice and guidance from us on issues like fundraising and governance.
- Registered charities have the benefit of a charity registration number and the badge/brand of charity, for fundraising purposes, and can maximise the financial benefit through Gift Aid arrangements.
- Access to advice from trained staff in our contact centre who can respond to queries on the phone or via email (Tel: 0845 300 0218, enquiries@charitycommission.gov.uk).