

The Charitable Incorporated Organisation (CIO)

The CIO will be the first legal structure created specifically to meet the needs of charities and available exclusively to charities. As with a company, it will have the benefits of incorporation, which are the creation of a 'legal personality' for the charity and limited liability for trustees.

However, CIOs will need neither separate registration with Companies House nor regulation under company law. A CIO will be a corporate body with a constitution, and will be registered with and regulated by the Commission.

The CIO will not be suitable for all types of charity, and trustees should take professional advice if they are considering setting up a new charity as a CIO or would like to change an existing charity into the new structure.

What will be the advantages of CIOs over charitable companies?

- Single registration. A charitable company has to register with Companies House and with the Commission. The CIO will only need to register with the Commission.
- Less onerous requirements when preparing accounts. Small CIOs will be able to prepare receipts and payments accounts; larger ones will prepare standard Charities Act accruals accounts. All charitable companies, regardless of size, have to prepare accruals accounts (a balance sheet, a statement of financial activities and notes) that meet the general requirements of company law.
- Less onerous reporting requirements. CIOs will only have to prepare an annual report under the Charities Act. Charitable companies have to prepare a report to meet the requirements of the Companies Acts as well as the Charities Act.
- Only one annual return. Charitable companies have to prepare an annual return under company law, and most must also submit a separate annual return under charity law.
- Less onerous filing requirements. CIOs will only have to send accounts/reports/returns to the Commission. Charitable companies have to send them to both the Commission and Companies House.
- Less onerous requirements relating to the reporting of constitutional and governance changes. CIOs will be subject to fewer reporting requirements than charitable companies, and will only have to report to the Commission, rather than to both the Commission and Companies House.

- Lower costs. The Commission, unlike Companies House, does not make any charges for registration or for filing of information.
- Simpler and more flexible constitutional forms. Because CIOs will not be sharing a framework with commercial bodies, it will be possible to create simpler and more flexible governing documents that specifically meet charities' needs.
- More straightforward merger arrangements. These are not available to charitable companies.

This leaflet is adapted from “Charities Act 2006 – What Trustees Need to Know” produced by The Office of the Third Sector and the Charity Commission.

It is meant as general guide to the changes brought in by the 2006 Charities Act, if you have any specific queries please contact our Community Development Worker Amelia Hughes on 01432 343 932 or amelia@herefordshireva.org