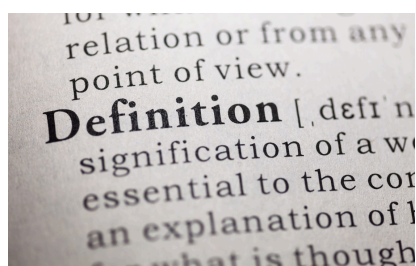




When Unincorporated Associations need to apply for Charitable Status based on income thresholds



Definition - Unincorporated Association: A not-for-profit organisation with charitable objectives that meets the public benefit test but is not registered with a regulator (an unregistered charity).

Registration Requirements

Income Threshold for Registration:

- When an unincorporated association has an income above £5,000 per financial year, they must register with the Charity Commission. See Source information from the Charity Act below for exemptions to this rule.
- Unincorporated associations are exempt from registration if their income is less than £5,000 per financial year.
- In the Charity Act, this is stated: "As a reference to the charity's gross income in its financial year immediately preceding that time" (Charity Act 2014, 30-4-a).

Non-Charitable Unincorporated Associations

- These associations do not meet the public benefit test and are not considered charities.
- If their income exceeds £5,000 over the preceding year, they must register with HMRC.
- Such associations are unlikely to receive grant funding.



HM Revenue
& Customs

Voluntary Registration

- Unincorporated associations with an income of less than £5,000 can choose to register as a charity if they wish.
- Registration becomes mandatory if their income exceeds £5,000 and they meet the qualifying criteria.

Benefits of becoming a registered charitable organisation

- 1 Access to Funding:** Registered charities can apply for a wider range of grants and funding opportunities that are often unavailable to unincorporated associations.
- 2 Limited Liability:** Incorporating as a Charitable Incorporated Organisation (CIO) or a charitable company provides limited liability protection to trustees, safeguarding their personal assets
- 3 Public Trust and Credibility:** Being registered with the Charity Commission enhances the credibility and public trust in the organisation, which can help attract more donations and volunteers.
- 4 Tax Benefits:** Charities can benefit from tax exemptions, including relief from income tax, corporation tax, and capital gains tax. They can also claim Gift Aid on donations, increasing the value of contributions from UK taxpayers.
- 5 Regulatory Support:** Registered charities receive guidance and support from the Charity Commission, helping them comply with legal requirements and best practices.

Limitations of Unincorporated Associations

Unincorporated associations have no separate legal identity (are not incorporated). They **cannot**, as an organisation, take on responsibility for any contract, including but not limited to:

- **Employment contracts**
- **Ownership and leasehold of property**



In practice:

- When a person from an unincorporated association signs a contract on their behalf, the individual signing the contract is personally liable for it.
- In some cases, this liability is shared with the rest of the management committee and the members of the organisation.
- In the event of legal action (e.g., for negligence or breach of contract) against an unincorporated association the personal liabilities could be significant. This is because members do not benefit from a guaranteed limitation of liability.

Source information from the Charity Act

Charity Act 2011 - Article 30

Charities Required to be Registered: General:

(1) Every charity must be registered unless subsection (2) applies.

(2) The following are not required to be registered:

- (a) An exempt charity (see section 22 and Schedule 3).
- (b) A charity which for the time being:

(i) Is permanently or temporarily excepted by order of the Commission, and

(ii) Complies with any conditions of the exception, and whose gross income does not exceed £100,000.

- (c) A charity which for the time being:

(i) Is, or is of a description, permanently or temporarily excepted by regulations made by the Secretary of State, and

(ii) Complies with any conditions of the exception, and whose gross income does not exceed £100,000.

- (d) A charity whose gross income does not exceed £5,000.