

WHAT DOES IT MEAN TO BE A CHARITY NOW?

Definition: A charity is an organisation with specific purposes defined in law to be charitable – and is exclusively for public benefit.

This means a charity has to fall into one of a number of categories defined as charitable, such as the prevention or relief of poverty. Its sole purpose must be charitable. It can't, for example, also aim to make profit or do something that isn't defined as charitable, or provide 'private benefit' to anyone. The benefit must clearly be for the general public, or a sufficient section of them.

Money and property: A charity's assets – its money and any property it holds – can only be used to further its cause. A charity can't have owners or shareholders who benefit from it.

Paying for goods and staff: A charity can pay staff or purchase goods and services it needs. But only because employing those staff or purchasing those things helps to further its cause.

Profit: Charities can make a profit or surplus. But all the surplus funds have to go back to the charity. Similarly, charities can and do invest their money in order to generate a return. But that return can only go back to the charity to spend on its cause.

Legal obligations

- Charities have to state what their charitable objectives are in order to be registered with the Charity Commission, and explain how they are meeting them in their annual reports to the Commission, which are then made publicly available.
- Charities must not be party political and any trading activity must support their charitable purposes.
- Charities must be governed by a group of volunteers, their trustees. These are usually unpaid though in some special circumstances the Charity Commission allows trustees to be paid, but this is the exception rather than the rule.

Legal and financial privileges

As well as the greater public recognition and trust that charities receive, they also benefit from certain legal and financial privileges, including:

- tax exemptions including income or corporation tax, stamp duty, inheritance tax on gifts made in wills and some VAT
- large reductions if not complete exemptions from paying business rates
- Gift Aid on donations from individuals
- access to funding only available to organisations with charitable status.

Charity. But not as you know it.

The law on charitable status has developed over centuries, which means the picture is now fairly complicated.

Many organisations that operate for ‘public benefit’ but are not part of the state hold charitable status, such as universities, housing associations, and certain museums. A number of other organisations, while they are charities in law, don’t need to register with the Charity Commission.

We’ve outlined the main groups below. But the figures in our factsheets exclude these organisations so we can focus on organisations people generally consider when they think of charities.

Universities, housing associations, certain museums

Some charities, for example universities and housing associations, are known as ‘exempt charities’. While they are charities in law, they don’t have to register with the Charity Commission. They are regulated instead by other bodies such as the Higher Education Funding Council for England in the case of universities in England, or the Homes and Communities Agency in the case of housing associations in England.

A number of specific museums, set out in law, are regulated by the Department for Culture, Media & Sport.

Churches and Scout or Guide groups

Some charities are ‘excepted’ from charitable registration. They’re still charities, and are still regulated by the Charity Commission. But they’re not required to register with the Commission or to submit annual returns to it provided their income is below £100,000 a year. The main types are churches of specified denominations and Scout and Guide groups. The exception for churches is due to end in 2021, when they will need to register as charities.

Read more: [Charity Commission guidance on excepted charities \(GOV.UK\)](#)

Independent schools

Before 2006, independent schools were presumed to be charitable. Now, like all charities, they have to demonstrate they create public benefit.

Immediately after the removal of the presumption, the Charity Commission enforced a number of requirements on schools, such as defining what bursary schemes they must offer, in order for them to meet the public benefit requirement.

This approach was challenged by independent schools, and in 2011 the High Court decided the Charity Commission was being too prescriptive. The court said independent schools had to generate a meaningful amount of public benefit (i.e. benefits for the public, in addition to the benefits that fee-paying pupils received), but that it is up to the trustees how this can be achieved (eg. not only through bursaries but by sharing its facilities with the community, sharing its teachers with local state schools, etc.).