



## Notes on a CIO

A Charitable Incorporated Organisation (CIO) is a corporate structure designed specifically and exclusively for charities, which first became available in England in 2013.

A corporate structure is one where the organisation has its own distinct legal identity. It can enter into agreements in its own name, and it is responsible for the obligations/debts created by those agreements – the individuals who sign the agreements are not normally personally responsible for those obligations/debts.

The individual members of a corporate organisation can benefit from ‘limited liability’. This means that when they become a member of the organisation, they agree to contribute a small set sum (often as little as £1) to the debts of the organisation should it be wound up.

Previously the only way to offer this limited liability protection to the members of a charity was to set up a registered company under company law, and then apply for that company to also be a registered charity. A ‘charitable company’ then had to comply with all the obligations of company law as well as all the obligations of charity law.

In 2018 it became possible for existing charitable companies to directly convert into a CIO, by application to the Charity Commission, and the CTA can now take advantage of this process.

The main advantage to converting to a CIO is that while it is still a registered charity, with a corporate structure, a CIO is only registered with the Charity Commission and so only has to comply with charity laws, regulations and filing requirements. This makes administration simpler and cheaper. Given the likely cost savings, we agree that a conversion to CIO is an appropriate step for the charity.

### Differences in the constitutional documents

In order to convert, the organisation must approve a new constitution, which must reflect the provisions of the current articles of association. So the proposed constitution reflects all of the key terms of the CTA’s current articles:

- The objects of the charity are exactly the same, and the powers of the charity to undertake activities are all replicated – either because the model CIO constitution already includes them, or because we have added them into the document.

The CTA will still not be able to pay any trustee or connected person to supply any services or goods to the charity (the law does now permit a charity to do this in certain circumstances, but because it is specifically excluded in your articles, it is excluded from the proposed CIO constitution)

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- The maximum amount the members of the CTA would be asked to contribute to the debts of the charity remains at £1.
- The requirements for meetings, subscription fees, selecting trustees and the terms a trustee can serve are all the same.
- The common law duty of members to take decisions in the best interests of the charity is made clear.
- The requirements for what happens to the charity's remaining assets if it closes stay the same (to be paid over to another charity with purposes similar to the CTA's – they cannot be distributed amongst the members).

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