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Starting a new charity

A guide on setting up a charity



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Is a new charity the best option?

If your organisation benefits the community, it does not mean you should, or can, automatically set up a charity. Not everything that benefits the community is charitable. You must have specific aims (known as charitable purposes) to set up a charity. You can find out more about charitable purposes, including what they are and what it means for being a charity on the [Starting a charity](#) webpage.

There are many good causes which do not qualify as charities, and some organisations may not be eligible to be a charity. For example, Community Interest Companies (CIC), Community Amateur Sports Clubs (CASCs), non-charitable social enterprises and co-operative societies cannot be charities.

Before setting up a charity, you may also want to consider if it is the best option for what you want to achieve. Below are some factors to consider.

- **Are there existing charities with the same aims or activities?**

Working together with a similar charity can be more effective than setting up a new charity. This also means the two charities aren't competing for the same resources, such as funding and volunteers.

Why not search for a similar charity on the public [register of charities](#) and find out what else is already out there?

- **Are there other ways to address the need you have identified?**

There are many ways you can make a difference or help fill the need you have identified. For example, you could fundraise, volunteer or join an existing charity as a trustee. You could also set up a named fund if you want to raise money for a certain cause.

- **Would setting up a new charity stop you from doing the things you want to do?**

When you establish a new charity, there are certain rules and legal restrictions on what the charity can and cannot do. For example:

- you will need to follow charity law, which may include registering and reporting annually to the Commission on the charity's activities and finances.
- you need to be familiar with the rules around trading activities.
- charities cannot carry out certain political activities, like supporting the views of one political party or candidate.
- Charity trustees, anyone connected to them, or the charity founder should not personally benefit from their position and conflicts of interest should be properly managed.
- if your charity will be working with either children or vulnerable adults, you must make the appropriate checks and put in place relevant safeguarding policies and procedures.
- many charities find it difficult to raise money.

There is more information on these areas in our [Running your charity](#) guide, which acts as the Commission's handbook for charities.

Finding charity trustees

The people who form the governing body or board of a charity are known as its charity trustees. Depending on the structure of your organisation the charity trustees may also be called directors, board members, governors or committee members.

The charity trustees have a shared duty of care for the charity and must ensure the charity complies with the Charities Acts (Northern Ireland) 2008 and 2022, as well as any other relevant legislation.

The Commission recommends each charity has a minimum of three charity trustees so that if a disagreement arises, there can always be a deciding vote.

To form an effective board of charity trustees, think about the mix of skills and experience which each charity trustee might be able to bring to the charity. For example, it might be useful to appoint a charity trustee with:

- fundraising or financial experience.
- a good understanding of the needs of those who use the charity.
- business, legal, marketing or governance expertise.

For information on who can be a charity trustee, and any restrictions which may apply see [Running your charity Guide 2: Who are charity trustees and what do they do.](#)

It's important those who take on the role of charity trustee, understand what is required of them. Charity trustees are responsible for the good governance of their charity and have specific duties which they must follow.

Governance refers to the overall system of processes, policies, structures, functions and rules which are in place so the charity can run effectively. It includes, for example, how charity trustees make decisions and have oversight of what's going on. However, that is not all - governance includes attitudes and culture, whether a charity is putting its values into practice.

When good governance is in place, the charity will be following the law, will be well managed, accountable and effective - making good use of the charity's money and resources with a focus on achieving its charitable purposes.

More information about good governance is available in [Running your charity Guide 5: Good governance and managing risks.](#)

Decide on a structure

When setting up a charity it's important to choose the right structure as this will affect how your charity will operate, such as whether it can enter into contracts in its own name, and whether the charity trustees will be personally liable for what the charity does. There are three main types of charity structure:

- unincorporated association
- charitable company
- charitable trust.

Unincorporated association

An unincorporated association is not a company or corporate body. Unincorporated associations can be simpler to set up than other forms of charity. They will usually have a constitution as their governing document.

You may decide to use this structure if you are a small group of people, or you don't expect to rent premises, own property or employ staff. Groups which use this structure usually carry out community or social events. A local chess club which meets regularly and runs tournaments is an example of an unincorporated association.

Unincorporated associations do not have a separate legal identity which means the charity cannot enter into contracts, hold land or investments in its own name. Two or more trustees or a corporate custodian trustee will have to 'hold' any land on your charity's behalf. In an unincorporated association the charity trustees have personal legal responsibility for what the charity does. If you decide to set up this type of charity you may need to take professional legal advice about your liabilities.

Charitable company

The law regards charitable companies as having the same legal identity as a person. This means a charitable company, just like a person, can own land and enter into contracts in its own name. Charitable companies are limited by guarantee and not shares which means that they cannot distribute surpluses to shareholders or members.

The assets belong to the charitable company, as do the debts and other obligations and therefore the directors (charity trustees) have the advantage of limited liability. This means their company members are usually only liable for a limited amount of money, for example £1. However, the amount will depend on what is set out in the governing document. Charity trustees will still be personally liable for losses due to fraud or intentional wrongdoing.

A charitable company can have a wider membership, other than its directors. This may be attractive if a charity wanted to have separate voting members to provide an extra layer of internal scrutiny and accountability.

Charities which decide to be companies may:

- be quite large
- have employees
- enter into commercial contracts, including contracts to deliver services
- own freehold or leasehold land, or other property.

When considering setting up a charitable company you must remember that additional costs will be involved. A charitable company must comply with the Companies Act 2006. Charitable companies must register with the Commission and with [Companies House](#).

If you decide to establish a charitable company, we recommend you take professional legal advice.

Charitable trust

A trust is one of the oldest legal structures used to set up charities. Charitable trusts are usually set up with a specific sum of money for a specific charitable purpose and a group of people who become the charity trustees. A charitable trust does not have a body of members separate from its trustees.

You might use this structure if your charity will:

- only make grants to individuals or organisations
- not employ staff or enter into contracts
- be run by a small group of people who will decide how grants are made
- not have a membership.

An example would be where a lottery winner wants to donate money for research into rare diseases. A fund is established and three people are appointed as charity trustees to administer research grants.

Like unincorporated associations, a charitable trust is not a legal entity in its own right. This means they are unable to enter into contracts, hold land or investments in their own name. This is important because it means the charity trustees share personal legal responsibility for any debts or obligations.

If you decide to set up this type of charity you may need to take professional legal advice about your liabilities.

Incorporation scheme for charity trustees

Charitable trusts and unincorporated associations which intend to own property or enter into contracts may want to apply for a scheme of incorporation to incorporate their charity trustees.

This means that any property of the charity is vested in the name of the incorporated body and not the names of individual charity trustees. This would avoid the need for the execution of deeds transferring land or investments to newly appointed trustees.

Likewise, contracts could be entered into in the name of the incorporated body and if problems arose it would be the incorporated body, not the individual charity trustees, who would be named in any legal proceedings.

However, it is important to note that the incorporation of the charity trustees does not limit the charity trustee's liability. They may still be personally liable (unlike if the charity was set up as a company).

If you decide to incorporate your body of charity trustees, you may need to take professional legal advice about your liabilities.

What will the charity work to achieve (charitable purposes)?

Your “charitable purposes” describe what your charity has been set up to achieve. Under the law, your charity must have charitable purposes that help the public (this is known as “being for public benefit”). Find out more about charitable purposes and the public benefit requirement in [Running your charity Guide 3: Meeting the public benefit requirement](#).

Choose a name for the charity.

The official name of your charity is its main name. However, your charity may also have what is called “a working name”. For example, the main name for the USPCA is Ulster Society for the Prevention of Cruelty to Animals. USPCA is the working name.

Not all charities have working names.

Your charity’s main or working name must not:

- be the same as or too similar to the name of an existing charity
- use words you do not have permission to use, for example a trademark, the name of a famous person, character or copyrighted work, or a royal title such as His Majesty
- use offensive words or acronyms
- be misleading, for example by suggesting your charity does something it does not.

The Commission has the legal power, under certain circumstances, to direct a charity to change its name. For more information see our [Changing your charity's name](#) guide.

Create a governing document

A charity's governing document is the rulebook for that charity and sets out how the charity is run.

The type of governing document you need depends on the charity's structure. The most common types are a trust deed, a constitution, articles of association or a will. For example, a charitable company must have a memorandum and articles of association.

You can see what types of governing documents are usually used by different charities in Appendix 1 of the [Running your charity Guide 1: A handbook for charity trustees](#).

The Commission's [Model governing documents](#) provide a template which charities may use as a starting point to create their governing document.

Registration and annual reporting

Registering your charity

An organisation may have to apply for registration as a charity in Northern Ireland if it meets the legal definition which defines a charity as an institution that:

- is independent (that is, it controls its own governance and resources)
- has exclusively charitable **purposes** (what the charity is set up to achieve)
- is governed by the law of Northern Ireland.

For further information see our [Registering your charity](#) guide.

Annual reporting

All registered charities in Northern Ireland have a legal duty to submit an on-line annual return (this includes their annual accounts, trustees' annual report and independent examination or audit) with the Charity Commission for Northern Ireland within ten months of the end of their financial year. This duty begins with the charity's first full financial year after registration. Once submitted, the accounts and reports are then automatically published on the *register of charities*.

For further information see our [Annual reporting](#) guide.

Working with children, young people and adults at risk of harm

Charity trustees are responsible for ensuring those benefiting from, or working with, their charity are not harmed in any way through contact with it. This is particularly important where beneficiaries are vulnerable persons or children in the community.

Charity trustees are expected to find out what the relevant law is, how it applies to their organisation and to comply with it, where appropriate. They should also adopt best practice as far as possible.

- For current guidance on safeguarding, legislation and resources see the [Department of Health](#).
- Further information is available from the [Northern Ireland Commissioner for Children and Young People \(NICCY\)](#)

More information

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