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Scottish Charitable Incorporated Organisation (SCIO)

The SCIO is a legal structure available to Scottish charities. It is charitable and incorporated (but not a company) and it is regulated by the Scottish Charity Regulator (OSCR).

Similar to a limited company, the SCIO also has limited liability for Members and Charity Trustees. It also has a separate legal personality so that the SCIO can hold assets in its own name. The SCIO is unique in that its existence depends entirely on having charitable status, it will not exist until OSCR have determined your eligibility to be incorporated as a SCIO. Therefore, a SCIO must pass the charity test in order to be created. A SCIO therefore must have a restriction on the usage of its assets (asset lock), similar to other charities.

The SCIO must have a head office in Scotland as it is a charitable model for Scottish charities only. It must have at least 2 members which may include some or all of the trustees. There must be at least 3 trustees in a SCIO.

The SCIO is a very flexible model that allows for both single tier and two-tier governance. The SCIO is run and managed by charity trustees, but the membership is an important feature of this structure. In a single tier, the membership is closed to the trustees only, and the decision making reserved for the members, is performed by the trustees. In a two-tier, there is a larger membership, which is open to others as defined in the governing document.

The SCIO, like any other charity, imposes duties on its trustees. However, the SCIO also has legal duties for its members, which is not found in other legal structures.

A SCIO must, by law, host an AGM every year. It must also keep registers of its members and trustees.

A SCIO is subject to the same rules on trading as other charities and may also set up trading subsidiaries.

**Website**www.arachas3.co.uk

Advantages

- Separate legal personality
- Limited liability for Members AND Trustees – therefore it protects against charity trustee personal liability
- Single regulatory requirements – OSCR
- Accounting procedures less onerous for smaller charities
- Less administration (i.e.no need to notify about appointments/resignation of Board)
- Viewed favourably
- Open/transparent
- Charity tax relief
- Rates relief
- Can receive donations and gift aid
- Greater access to funding streams
- Merging with other SCIOs requires little paperwork

Disadvantages

- When SCIO winds up it ceases to exist entirely (loss of legal structure)
- Not quick to establish (3-6 months minimum)
- Must keep register of Members as well as Trustees – could be onerous if large membership
- Cannot convert to another legal form
- As with any charitable legal form, restrictions in activity and trading
- Cannot grant floating charges