



# Charities Act 2006

## 2006 CHAPTER 50

### PART 2

#### REGULATION OF CHARITIES

#### CHAPTER 10

##### POWERS OF UNINCORPORATED CHARITIES

#### **40 Power to transfer all property**

For section 74 of the 1993 Act substitute—

##### **“74 Power to transfer all property of unincorporated charity**

- (1) This section applies to a charity if—
  - (a) its gross income in its last financial year did not exceed £10,000,
  - (b) it does not hold any designated land, and
  - (c) it is not a company or other body corporate.

“Designated land” means land held on trusts which stipulate that it is to be used for the purposes, or any particular purposes, of the charity.
- (2) The charity trustees of such a charity may resolve for the purposes of this section—
  - (a) that all the property of the charity should be transferred to another charity specified in the resolution, or
  - (b) that all the property of the charity should be transferred to two or more charities specified in the resolution in accordance with such division of the property between them as is so specified.
- (3) Any charity so specified may be either a registered charity or a charity which is not required to be registered.

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- (4) But the charity trustees of a charity (“the transferor charity”) do not have power to pass a resolution under subsection (2) above unless they are satisfied—
  - (a) that it is expedient in the interests of furthering the purposes for which the property is held by the transferor charity for the property to be transferred in accordance with the resolution, and
  - (b) that the purposes (or any of the purposes) of any charity to which property is to be transferred under the resolution are substantially similar to the purposes (or any of the purposes) of the transferor charity.
- (5) Any resolution under subsection (2) above must be passed by a majority of not less than two-thirds of the charity trustees who vote on the resolution.
- (6) Where charity trustees have passed a resolution under subsection (2), they must send a copy of it to the Commission, together with a statement of their reasons for passing it.
- (7) Having received the copy of the resolution, the Commission—
  - (a) may direct the charity trustees to give public notice of the resolution in such manner as is specified in the direction, and
  - (b) if it gives such a direction, must take into account any representations made to it by persons appearing to it to be interested in the charity, where those representations are made to it within the period of 28 days beginning with the date when public notice of the resolution is given by the charity trustees.
- (8) The Commission may also direct the charity trustees to provide the Commission with additional information or explanations relating to—
  - (a) the circumstances in and by reference to which they have decided to act under this section, or
  - (b) their compliance with any obligation imposed on them by or under this section in connection with the resolution.
- (9) Subject to the provisions of section 74A below, a resolution under subsection (2) above takes effect at the end of the period of 60 days beginning with the date on which the copy of it was received by the Commission.
- (10) Where such a resolution has taken effect, the charity trustees must arrange for all the property of the transferor charity to be transferred in accordance with the resolution, and on terms that any property so transferred—
  - (a) is to be held by the charity to which it is transferred (“the transferee charity”) in accordance with subsection (11) below, but
  - (b) when so held is nevertheless to be subject to any restrictions on expenditure to which it was subject as property of the transferor charity; and the charity trustees must arrange for the property to be so transferred by such date after the resolution takes effect as they agree with the charity trustees of the transferee charity or charities concerned.
- (11) The charity trustees of any charity to which property is transferred under this section must secure, so far as is reasonably practicable, that the property is applied for such of its purposes as are substantially similar to those of the transferor charity.

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But this requirement does not apply if those charity trustees consider that complying with it would not result in a suitable and effective method of applying the property.

- (12) For the purpose of enabling any property to be transferred to a charity under this section, the Commission may, at the request of the charity trustees of that charity, make orders vesting any property of the transferor charity—
- (a) in the transferee charity, in its charity trustees or in any trustee for that charity, or
  - (b) in any other person nominated by those charity trustees to hold property in trust for that charity.
- (13) The Minister may by order amend subsection (1) above by substituting a different sum for the sum for the time being specified there.
- (14) In this section references to the transfer of property to a charity are references to its transfer—
- (a) to the charity, or
  - (b) to the charity trustees, or
  - (c) to any trustee for the charity, or
  - (d) to a person nominated by the charity trustees to hold it in trust for the charity,
- as the charity trustees may determine.
- (15) Where a charity has a permanent endowment, this section has effect in accordance with section 74B.

#### **74A Resolution not to take effect or to take effect at later date**

- (1) This section deals with circumstances in which a resolution under section 74(2) above either—
- (a) does not take effect under section 74(9) above, or
  - (b) takes effect at a time later than that mentioned in section 74(9).
- (2) A resolution does not take effect under section 74(9) above if before the end of—
- (a) the period of 60 days mentioned in section 74(9) (“the 60-day period”), or
  - (b) that period as modified by subsection (3) or (4) below,
- the Commission notifies the charity trustees in writing that it objects to the resolution, either on procedural grounds or on the merits of the proposals contained in the resolution.
- “On procedural grounds” means on the grounds that any obligation imposed on the charity trustees by or under section 74 above has not been complied with in connection with the resolution.
- (3) If under section 74(7) above the Commission directs the charity trustees to give public notice of a resolution, the running of the 60-day period is suspended by virtue of this subsection—
- (a) as from the date on which the direction is given to the charity trustees, and

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- (b) until the end of the period of 42 days beginning with the date on which public notice of the resolution is given by the charity trustees.
- (4) If under section 74(8) above the Commission directs the charity trustees to provide any information or explanations, the running of the 60-day period is suspended by virtue of this subsection—
  - (a) as from the date on which the direction is given to the charity trustees, and
  - (b) until the date on which the information or explanations is or are provided to the Commission.
- (5) Subsection (6) below applies once the period of time, or the total period of time, during which the 60-day period is suspended by virtue of either or both of subsections (3) and (4) above exceeds 120 days.
- (6) At that point the resolution (if not previously objected to by the Commission) is to be treated as if it had never been passed.

#### **74B Transfer where charity has permanent endowment**

- (1) This section provides for the operation of section 74 above where a charity within section 74(1) has a permanent endowment (whether or not the charity's trusts contain provision for the termination of the charity).
- (2) In such a case section 74 applies as follows—
  - (a) if the charity has both a permanent endowment and other property (“unrestricted property”)—
    - (i) a resolution under section 74(2) must relate to both its permanent endowment and its unrestricted property, and
    - (ii) that section applies in relation to its unrestricted property in accordance with subsection (3) below and in relation to its permanent endowment in accordance with subsections (4) to (11) below;
  - (b) if all of the property of the charity is comprised in its permanent endowment, that section applies in relation to its permanent endowment in accordance with subsections (4) to (11) below.
- (3) Section 74 applies in relation to unrestricted property of the charity as if references in that section to all or any of the property of the charity were references to all or any of its unrestricted property.
- (4) Section 74 applies in relation to the permanent endowment of the charity with the following modifications.
- (5) References in that section to all or any of the property of the charity are references to all or any of the property comprised in its permanent endowment.
- (6) If the property comprised in its permanent endowment is to be transferred to a single charity, the charity trustees must (instead of being satisfied as mentioned in section 74(4)(b)) be satisfied that the proposed transferee charity has purposes which are substantially similar to all of the purposes of the transferor charity.

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- (7) If the property comprised in its permanent endowment is to be transferred to two or more charities, the charity trustees must (instead of being satisfied as mentioned in section 74(4)(b)) be satisfied—
- (a) that the proposed transferee charities, taken together, have purposes which are substantially similar to all of the purposes of the transferor charity, and
  - (b) that each of the proposed transferee charities has purposes which are substantially similar to one or more of the purposes of the transferor charity.
- (8) In the case of a transfer to which subsection (7) above applies, the resolution under section 74(2) must provide for the property comprised in the permanent endowment of the charity to be divided between the transferee charities in such a way as to take account of such guidance as may be given by the Commission for the purposes of this section.
- (9) The requirement in section 74(11) shall apply in the case of every such transfer, and in complying with that requirement the charity trustees of a transferee charity must secure that the application of property transferred to the charity takes account of any such guidance.
- (10) Any guidance given by the Commission for the purposes of this section may take such form and be given in such manner as the Commission considers appropriate.
- (11) For the purposes of sections 74 and 74A above, any reference to any obligation imposed on the charity trustees by or under section 74 includes a reference to any obligation imposed on them by virtue of any of subsections (6) to (8) above.
- (12) Section 74(14) applies for the purposes of this section as it applies for the purposes of section 74.”