Incorporation to SCIO: Accounts factsheet

1. What is a SCIO?

SCIO stands for Scottish Charitable Incorporated Organisation. It is a legal form unique to Scottish charities. All SCIOs are regulated by us, the Scottish Charity Regulator, and must file annual returns and compliant accounts with us each year.

See our SCIOspages for more information on how to become a SCIO.

2. What kind of accounts can a SCIO prepare?

All charities must prepare accounts that are compliant with the Charities Accounts (Scotland) Regulations 2006 (as amended) (the Regulations). Under the Regulations SCIOs can prepare either Receipts and Payments accounts or Fully Accrued accounts. The type of accounts depends on:

- the SCIO's income level,
- the requirements of the SCIO's governing document and
- any relevant decision of the charity trustees – for example, a condition of funding that the charity trustees may apply for could be that the accounts are prepared in a certain format.

SCIOs with an income below £250,000 can prepare Receipts and Payments accounts. You can use our example set of Receipts and Payments accounts, and adapt them for your charity.

3. What happens if we incorporate to a SCIO from an unincorporated charity (a trust or association)?

You can apply to us to incorporate from an unincorporated charity to a SCIO, following our incorporation procedures.

4. How will incorporation be presented in the financial accounts?

There is no need to prepare two separate sets of accounts when incorporating to a SCIO. The Statement of Recommended Practice (SORP) for charities preparing **Fully Accrued** accounts allows 'merger' accounting to be used.

OSCR also accepts merged accounts for charities preparing **Receipts and Payments** accounts.

Merged accounts mean that the charity prepares the accounts to their usual year end date and the transactions for the unincorporated charity and the SCIO are 'merged' together to produce one set of accounts that shows the transactions for both the old and the new charity throughout the accounting period.

Charities can use merged accounts if:

- the beneficiaries of the charity have not changed significantly
- the purposes for which funds are held have not changed significantly and;
- the charity trustees have not changed significantly.

The resulting accounts must show the date of the merger; in this case, that is the date when the new SCIO was created.

For **Fully Accrued** accounts the SORP also requires some specific notes to be added to the accounts. Your professional advisors should be able to help you with this.

For more information on types of accounts and the legal requirements see: A Guide to Charity Accounts.

5. What happens if we change to a SCIO from a limited company?

Charity law sets out a process called conversion that allows a charitable company to change to a SCIO. Once the charitable company converts to a SCIO, Companies House will change the company's status to 'converted/closed' and the charity will not be expected to make any further submissions to Companies House.

There is no need to do two separate sets of accounts; instead, the charity should prepare accounts to its usual year end. The accounts should be prepared in the format suitable for the SCIO, so Receipts and Payments accounts can be used if applicable. The notes should then detail that the charity is now a SCIO and the date of conversion.

Published: 4 December 2015

Updated: 6 June 2017