

Date 7 July 2014

What does incorporation mean?

Incorporation is a way of establishing or creating a legal entity under the name of an association.

Incorporating separates the individual person (member) from the association and enables it to have bank accounts, purchase assets and enter into contracts whilst providing legal and financial protection to the management committee.

The advantages of incorporation

Benefits to incorporating an organisation:

- **Separate legal entity:** incorporation provides organisations with a legal identity of its own, so it can conduct business in its own name. An incorporated organisation can open bank accounts, enter contracts, obtain insurance and lease or own a property. *If a group does not incorporate, an individual must act as a trustee to carry out these financial tasks on behalf of the group or organisation*
- **Liability:** incorporation means that office holders and members may not be held responsible for any of the organisation's debts or legal actions against the organisation when they have acted in good faith and with reasonable care and due diligence (provided the organisation does not make a profit from its members)
- **Protection for volunteers:** an incorporated organisations volunteers are protected from personal liability under the *Volunteer Protection Act 2001*
- **Increased opportunities:** incorporation is an eligibility requirement for funding from most government departments.

The responsibilities of incorporation

Incorporated organisations are required to familiarise themselves with their responsibilities under the *Associations Incorporation Act 1985* and its Regulations, which are available from the Service SA website <http://www.service.sa.gov.au>.

Incorporated organisations are responsible for:

- drafting and administering a set of rules (a constitution)
- appointing a public officer
- reporting on the financial position of the organisation (annual Periodic Return). *An organisation with gross receipts above \$200,000 has financial reporting obligations to its members and Consumer and Business Services (CBS)*
- acting with reasonable care and diligence in the execution of their duties.

Incorporation fees

There are two nominal one-off fees payable to the CBS.

- to incorporate
- to lodge a constitution.

There is also an annual fee attached to lodging a Periodic Return.

How to incorporate

Contact the CBS directly by phoning 131 882, or visit their website <http://www.cbs.sa.gov.au>. They are located on the Ground Floor of Chesser House, 91-97 Grenfell Street, Adelaide, 5000.