What is a trading subsidiary?

A trading subsidiary is a company that is owned and controlled by one or more charities, and is usually set up in order to generate an income for the charities purposes. The subsidiary company can donate part or all its profits to its parent charity.

A charity may decide to set up a trading to undertake trading through a subsidiary to protect the parent charity from the risks of trading.

When should a charity set up a trading subsidiary?

- When the trading activity that the charity wants to undertake does not directly advance its charitable purpose(s)
- The charity does not have the power to trade directly which will be specified in its governing document
- When there is a significant risk to the charity from activity.
- A tax liability is likely to be incurred.

Ancillary trading

This type of trading does not directly advance any of your charitable purposes; but should contribute to its success.

Non-primary purpose trading

This type of trading does not advance any of the organisations charitable purposes nor does it provide public benefit. The trading is carried out to raise funds for the charity, but it is not a charitable activity.

Primary purpose trading

This type of trading directly contributes towards the charity's purposes.

Activity

Consider whether having a trading subsidiary would be beneficial.

Other related information

Charities and Trading Guide click here.
What is a trading subsidiary click here.
Types of charity trading click here.
Charity Trustees Duties click here.
Can a charity trade click here.

Need help?

You can contact at us and arrange a call at: sedg@tsdg.co.uk