

Common Legal questions for Community Groups

Beneficiary – “Beneficiaries” are the people or classes of people who are named in the trust deed of a trust as the ones who are to benefit from the trust property.

Charitable status – Groups with charitable status do not have to pay tax on income they earn. Decisions about charitable status are made by the Charities Registration Board. A pre-condition for getting charitable status is to register on the Charities Register administered by the Department of Internal Affairs.

Charitable trust board – a trust or membership-based group that has a charitable purpose and that has registered and incorporated as a charitable trust board under the Charitable Trusts Act.

Committee – a shorthand term often used in the community sector to refer to an organisation’s “management committee” (or “executive committee”) or the Board.

Constitution – an organisation’s governing document, setting out the organisation’s purpose and objects and the rules for how it will operate, including for example the powers and duties of its officers. Incorporated societies often use the term “constitution” to refer to their rules, and trusts often use the term to refer to their trust deed. “Constitution” is also the formal legal term used for a company’s governing document (when a company has elected to have a constitution).

Corporate body – another term for “incorporated body” (see “Incorporated / Incorporation” below).

Governance – generally refers to the role of a management committee or separate governing board within a community group in defining the group’s purpose, mission and goals, and monitoring whether and how the group is achieving them and complying with applicable laws. The management committee will include the group’s principal officers (the chairperson, treasurer and secretary) and other officers. “Governance” is distinct from the day-to-day management of the group.

Honorarium – This is a payment made to a volunteer for their services, usually just a small, token amount. Honorariums are different from reimbursement for a volunteer's expenses.

Incorporated / incorporation – A group that is "incorporated" has its own legal identity, separate from its individual members, which means that the group can, for example, enter into contracts and own property in its own name. "Incorporation" means the process of becoming incorporated.

Incorporated society – a group of people who have registered and incorporated as a group under the Incorporated Societies Act 1908 so that the group now has a separate legal identity. See incorporated above. Note that a group can incorporate under other Acts, such as the Companies Act 1993.

Liquidation (or "winding up") – the process that brings an organisation's activities to an end. The purpose of liquidation is to collect and distribute the organisation's assets.

Management team – the body appointed or employed by an organisation to oversee its day-to-day management and follow the policies and strategies set by the governance body.

Member – Many community organisations, whether incorporated or unincorporated, are membership-based groups, and "member" may refer to an individual person or an individual incorporated body that belongs to the organisation.

Not-for-profit – This chapter generally uses the term "community" to mean the same as "not-for-profit" – as in, for example, "community organisation" or "the community sector".

Officers – the people appointed or elected to carry out the central management roles in an organisation, such as a chairperson, secretary, treasurer, director or trustee.

Rules – All incorporated societies are required to have a set of rules dealing with issues such as how meetings are to be called and run.

Trust – a legally recognised arrangement where the legal title (ownership) to property is held by one or more people (the "trustees") for the benefit of certain people or classes of people (the "beneficiaries") or for a particular charitable purpose.

Trust deed – the central document in a trust arrangement, which establishes the trust. The trust deed specifies the trust property, the people who are the trustees, and the people or the purposes that are to benefit from the trust property.

Trustee – a person appointed to hold and manage property under a trust deed for the benefit of others (the “beneficiaries”) or for a charitable purpose.

Important terms and definitions

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