

## LEGAL STRUCTURES AT A GLANCE

This is a rough guide to the legal structures most commonly associated with voluntary and community organisations, including social enterprises.

For more information on them, see the websites listed below.

There are a variety of legal requirements associated with setting up the structures described below and you should consider seeking professional advice before your organisation adopts any one of them.

Legal structure	Summary: most typical features	Governance and constitution	Is it a legal person distinct from those who run it?	Can its activities benefit those who own and/or run it?	Assets 'locked in' for community benefit?	Can it be a charity and get charitable status tax benefits?
<b>Unincorporated association</b>	Informal; no general regulation of this structure; need to make own rules.	Governed according to own rules.	No, which can create problems for contracts, holding property and liability of members.	Depends on own rules.	Would need bespoke drafting to achieve this.	Yes, if it meets the criteria for being a charity.
<b>Trust</b>	A way of holding assets so as to separate legal ownership from economic interest.	Assets owned by trustees and managed in interests of beneficiaries on the terms of the trust.	No, which means the trustees are personally liable.	Not usually. Trustees/directors can only benefit if trust, court or Charity Commission give permission.	Yes, if trust established for community benefit.	Yes, if it meets the criteria for being a charity.
<b>Company Limited By Guarantee</b> <a href="http://www.companieshouse.gov.uk">www.companieshouse.gov.uk</a>	Most frequently adopted corporate legal structure; can be adapted to suit most purposes.	Directors manage company on behalf of members. Considerable flexibility over internal rules.	Yes, members' liability limited to amount unpaid on shares or by guarantee	Yes, but no dividends etc to members if it is a company limited by guarantee.	Would need bespoke drafting in articles, which could be amended by members.	Yes, if it meets the criteria for being a charity and has articles containing the required provisions.
<b>Community interest company (CIC)</b> <a href="http://www.cicregulator.gov.uk">www.cicregulator.gov.uk</a>	An effective limited company structure for social enterprise with secure 'asset lock' and focus on community benefit.	As for other limited companies, but subject to additional regulation to ensure community benefits.	Yes, members' liability limited to amount unpaid on shares or by guarantee.	Yes, but must benefit the wider community. Can pay limited dividends to private investors and directors can be paid.	Yes, through standard provisions which all CICs must include in their constitutions.	No, but can convert to a charity if it ceases to be a CIC.
<b>Registered Societies eg: Community Benefit Society (BenComm)</b> <a href="http://www.fca.org.uk">www.fca.org.uk</a>	Benefit community other than just own members and have special reason not to be companies.	Committee / officers manage on behalf of members. One member, one vote (regardless of size of respective shareholdings).	Yes, members liability limited to amount unpaid on shares.	Must primarily benefit non-members - 'asset lock' applies.	Yes, asset lock only survives dissolution if new statutory form of asset lock adopted.	Yes, if it meets the criteria for being a charity.
<b>Charitable Incorporated Organisation</b> <a href="http://www.charitycommission.gov.uk">www.charitycommission.gov.uk</a>	First ready-made corporate structure specifically designed for charities.	Similar to company but with different terminology, eg 'charity trustee' instead of 'director'.	Yes, members either have no liability or limited liability.	Members are not permitted to benefit and charity trustees are only able to benefit if constitution, court or Charity Commission give permission.	Yes.	Cannot be anything but a charity, and must meet the criteria for being a charity.

Working through the Bates Wells Braithwaite "Decision Tool" will also help you to find the right structure for your organisation:

<http://getlegal.bwbllp.com/decision-tool>



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