

LEGAL STRUCTURES FOR SOCIAL ENTERPRISE AT A GLANCE

This is a rough guide to the legal structures most commonly associated with social enterprise. For more information on them, see <http://www.acevo.org.uk/legalforms/> or the websites listed below. For more general information about business structures, including other options such as partnerships and limited liability partnerships, see <http://www.businesslink.gov.uk>. However, there is a lot of law on each of the legal structures described below and you should consider seeking legal advice before your organisation adopts any of them.

Legal structure	Summary: most typical features	Ownership, governance and constitution	Is it a legal person distinct from those who own and/or 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?	Differences in the law as it applies in Scotland or Northern Ireland?
Unincorporated association	Informal; no general regulation of this structure; need to make own rules.	Nobody owns: governed according to own rules.	No: 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.	No specific differences.
Trust	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: trustees personally liable.	Trustees/ directors no, unless trust, court or Charity Commission permit.	Yes (if trust established for community benefit).	Yes if it meets the criteria for being a charity.	No, subject to differences between English and Scots trust law.
Limited company (other than Community Interest Company) www.companieshouse.gov.uk	Most frequently adopted corporate legal structure; can be adapted to suit most purposes.	Directors manage business 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.	Scotland: no. Northern Ireland: separate but similar legislation.
Community interest company (CIC) www.cicregulator.gov.uk	New "off-the-peg" 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 wider community as well. Can pay limited dividends to private investors.	Yes, through standard provisions which all CICs must include in their constitutions.	No, but can become a charity if it ceases to be a CIC.	Scotland: no. Northern Ireland: legislation not yet in place.
Industrial & Provident Society (IPS) (Co-operative) www.fsa.gov.uk/Pages/Doing/Info/MSR/	For bona fide co-operatives that serve members' interests by trading with them or otherwise supplying them with goods or services.	Committee / officers manage on behalf of members. One member, one vote (regardless of e.g. sizes of respective shareholdings).	Yes; members liability limited to amount unpaid on shares.	Yes, but should do so mostly by members trading with society, using its facilities etc, not as a result of e.g. shareholdings.	Would need bespoke drafting in articles (which could be amended by members).	No – would have to be constituted as community benefit type of IPS.	Scotland: no. Northern Ireland: separate (but similar) legislation.
Industrial & Provident Society (IPS) (Community Benefit Society (BenComm))	Benefit community other than just own members and have special reason not to be companies.	Like Co-op type, but new legislation provides option of more secure form of asset lock.	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.	Scotland: no. Northern Ireland: legislation not yet in place.
Charitable Incorporate Organisation (CIO) www.homeoffice.gov.uk/c/omrace/active/charitylaw/	EXPECTED 2006 First ready-made corporate structure specifically designed for charities.	Similar to company but with different terminology (e.g. for "directors" read "charity trustees").	Yes; members either have no liability or limited liability.	Members: no. Charity trustees: only if constitution, court or Charity Commission permit.	Yes.	Cannot be anything but a charity, and must meet the criteria for being a charity.	Scotland: separate (but similar) legislation and Regulator. Northern Ireland: legislation not yet in place.