



A Simple Guide to Legal Structures for Social Enterprises

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?
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
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 court or Charity Commissioners permit	Yes (if trust established for community benefit)	Yes if it meets the criteria for being a charity
Limited company (other than Community Interest Company)	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 ets 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
Community Interest company (CIC)	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
Industrial & Provident Society (Co-operative)	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 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
Industrial & Provident Society (Community Benefit Society)	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
Charitable Incorporate Organisation	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