

## Quick Guide:

### *Get Legal: Choosing a legal structure*

In law there are basically two types of organisation, unincorporated and Incorporated. The main differences are around how assets and liabilities are treated and the legal status of the organisation.

#### **Unincorporated organisations:**

- Many voluntary groups begin as unincorporated organisations, and may stay that way.
- Easily formed
- Best practice to agree basic rule on how it will be run
- In law viewed as collection of individuals acting independently
- Cannot hold property, contracts or take part in lawsuits
- If groups end up owing money committee can be liable for debts – **unlimited liability**

If your organisation is currently unincorporated, you may want to consider becoming an incorporated group. This is particularly important if you want to employ staff, take on contracts, own or manage a significant asset or work with vulnerable adults or children.

**Corporate bodies:** A corporate body enjoys **limited liability** and can hold property and contracts in its own right.

<p><b>Company limited by guarantee (CLG)</b></p> <ul style="list-style-type: none"> <li>• No shares or shareholders.</li> <li>• Cannot distribute profits.</li> <li>• Has members who may pay subscriptions and be liable for limited sum if group wound up</li> <li>• Quick and easy to set up.</li> <li>• Registered with Companies House (<a href="http://www.companieshouse.gov.uk">www.companieshouse.gov.uk</a>).</li> <li>• Charity Commission guidance on establishing a charitable CLG (<a href="http://www.charity-commission.gov.uk">www.charity-commission.gov.uk</a>).</li> </ul>	<p><b>Community Interest Company (CIC)</b></p> <ul style="list-style-type: none"> <li>• Conducted for community benefit and not purely for private profit.</li> <li>• Often called social enterprises.</li> <li>• Subject to a community interest test and an asset lock.</li> <li>• Registration approved by the CIC regulator.</li> <li>• CIC regulator monitors and enforces.</li> <li>• Can have shareholders and pay directors.</li> <li>• Cannot be taken over and diverted away from the social vision of its founders.</li> <li>• Do not receive the tax advantages extended to charities and not recognised by all funders.</li> <li>• More information <a href="http://www.cicregulator.gov.uk">www.cicregulator.gov.uk</a></li> </ul>
<p><b>Industrial and Provident Society (IPS)</b></p> <ul style="list-style-type: none"> <li>• Business or a trade either as a bona fide co-operative or for the benefit of the community.</li> <li>• Run for the mutual benefit of their members.</li> <li>• Run for the benefit of the community - services for people other than their members.</li> <li>• Eligible for many of the tax-breaks available to charities.</li> <li>• Cannot register with the Charity Commission, so cannot take advantage of the benefits of registered charity status.</li> <li>• The FSA is the regulator rather than Companies House (<a href="http://www.fca.gov.uk">www.fca.gov.uk</a>).</li> </ul>	<p><b>Charitable Incorporated Organisation (CIO)</b></p> <ul style="list-style-type: none"> <li>• New legal form of incorporated charity which came into effect in 2012.</li> <li>• Have all the benefits which currently come from incorporating as a company, including limited liability for trustees and a separate legal personality.</li> <li>• Only regulated by the Charity Commission, no need to report to Companies House.</li> <li>• More information guidance about CIO implementation and requirements at <a href="http://www.charity-commission.gov.uk">www.charity-commission.gov.uk</a></li> </ul>

For more information or support in choosing a legal structure, have a look at the full guide from Devon Voluntary Action (DeVA) at [http://www.devonva.org/information\\_and\\_guidance](http://www.devonva.org/information_and_guidance) or contact DeVA on 0845 6099901 or by emailing [support@devonva.org](mailto:support@devonva.org).