

# Essential Guide to Legal Structures at a Glance for Community Projects & Social Enterprise

There is a wide range of structures open to groups and organisations which are active in the community. Such organisations are often called ‘not-for-profits’, but this term has no legal meaning in the UK. When you set up a new group or organisation, it is usually useful to agree a particular legal structure. Even if your group is fairly informal, you will need some legal structure if you want to open a bank account and/or apply for funding.

Legal Structure	Summary	Ownership, governance & constitution	Liability & contracts	Can its activities benefit those who own and run it?	Assets ‘locked in’ for community benefit	Can it be a charity, get charitable status and tax benefits
<p>Unincorporated Association</p> <p><i>If your aims are not charitable you do not have to register with any regulatory body.</i></p>	<p>Informal.</p> <p>No regulations or approval required. You are free to draw up your own constitution, setting out the rules under which your group will be run.</p>	<p>Nobody owns – governed by its own rules/ constitution.</p>	<p>Members individual liability, creates problems for contracts, holding property etc.</p>	<p>Depends on own rules/ constitution.</p>	<p>Would need careful drafting of rules.</p>	<p>If it meets the criteria for being a charity.</p> <p>If your aims are charitable (as set out in charity law) you will be a “charitable unincorporated association” (a type of charity), and you must register with the Charity Commission if your group has an income of over £5,000 per year.</p>
<p>Trust</p> <p><i>Regulated by the Charity Commission</i></p>	<p>Usually set up to manage money or property for a charitable purpose.</p>	<p>Assets owned by trustees and managed in interests of beneficiaries as by rules of trust.</p> <p>The trustees are appointed rather than elected, and there is no wider membership.</p>	<p>Trustees personally liable.</p>	<p>Not usually. Trustees/ directors can only benefit if Charity Commission give permission.</p>	<p>Yes, if established for community benefit.</p>	<p>Yes, if it meets criteria.</p> <p>Charitable trusts must register with the Charity Commission if their income is over £5,000 per year.</p>
<p>Charitable Incorporated Organisation (CIO)</p> <p><i>Regulated by the Charity Commission</i></p>	<p>Corporate structure specifically designed for charities.</p>	<p>Charity trustees manage organisation on behalf of members/beneficiaries.</p>	<p>Either no liability or limited liability.</p>	<p>Charity trustees benefit if constitution or Charity Commission give permission. Members not permitted to benefit.</p>	<p>Yes.</p>	<p>Yes, but must meet the criteria for being a charity.</p>
<p>Community Interest Company (CIC)</p> <p><i>Regulated by the CIC Regulator</i></p>	<p>Limited company structure for community benefit with secure asset lock.</p> <p>It differs from a charitable company in that it can be established for any purpose which benefits the community, whereas a charity must have exclusively charitable purposes.</p>	<p>Directors manage CIC but subject to additional regulation to ensure community benefits.</p>	<p>Liability limited to amount unpaid on shares or by guarantee.</p>	<p>Directors can be paid, limited dividends to members but must benefit wider community.</p>	<p>Yes.</p> <p>CICs commit their assets and profits permanently for the benefit of the community by means of an “asset lock”.</p>	<p>No. Can revert to Charity.</p> <p>Some local councils offer rebates for social enterprises.</p>

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Community Amateur Sports Clubs <i>Regulated by HMRC</i>	Bespoke structure for sports clubs, open to all if membership fee falls within specific categories.	50% of members must be actively participating in club.	Liability limited to amount unpaid on shares or by guarantee.	See <a href="#">rules</a> on permitted costs - (www.gov.uk/government/publications/community-amateur-sports-clubs-detailed-guidance-notes)	Yes.	Some tax exemptions, but no VAT relief unlike charities.
Limited Company <i>Regulated by Companies House</i>	Common corporate legal structure.	Directors manage business on behalf of members. Flexibility over internal rules.	Liability limited to amount unpaid on shares or by guarantee.	Yes, but no dividends to members.	If rules permit.	Yes, if it meets criteria for being a charity.



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