

# FACTSHEET - LEGAL STRUCTURES - ADVANTAGES AND CONSIDERATIONS

| Legal Form  | Advantages   | Considerations  |
|---|--|---|
| <b>Unincorporated association</b>                 | <ul style="list-style-type: none"> <li>• Simple and flexible</li> <li>• Cheap to run</li> <li>• Not accountable to a regulator (no annual reporting)</li> <li>• No need to submit accounts to external body (unless you register as a charity or funders demand it)</li> </ul>   | <ul style="list-style-type: none"> <li>• Some funders only fund Registered Charities</li> <li>• No separate legal existence - only a collection of individuals in the eyes of the law. So cannot own property or enter into contracts in own right. If it wants to rent/buy/employ, in the eyes of the law this is done by individuals on behalf the group</li> <li>• Management committee personally responsible and liable for the group's obligations, debts.</li> <li>• Charitable aims will make it easier to register as a charity later</li> </ul> |
| <b>Registered charity</b>                         | <ul style="list-style-type: none"> <li>• Many funder awards grants only to registered charities</li> <li>• Regulation promotes public transparency and accountability</li> <li>• Tax relief</li> <li>• Business rates exemption</li> <li>• Gift Aid</li> </ul>   | <ul style="list-style-type: none"> <li>• Must keep to charitable purposes at all times &amp; comply with Charity Law</li> <li>• Must follow Charity Commission rules and annual reporting requirements (trustees report and accounts)</li> <li>• Must follow aims and rules of constitution, be well run and managed, act within the law</li> <li>• You're still legally unincorporated – a 'collection of individuals'</li> </ul>  |
| <b>Charitable trust</b>                           | <ul style="list-style-type: none"> <li>• Cheap and simple to set up (no registration fee)</li> <li>• Model governing documents available from Charity Commission</li> <li>• Regulation by Charity Commission gives 'seal of approval to its activities</li> </ul>  | <ul style="list-style-type: none"> <li>• Obligations to complete annual accounts and report</li> <li>• Cannot carry out political or campaigning activities</li> <li>• All decisions made by a small group of people (Charity Commission suggest 3-9 trustees)</li> <li>• You're still legally unincorporated – a 'collection of individuals'</li> </ul>  |
| <b>Charitable company</b>                         | <ul style="list-style-type: none"> <li>• Suitable for larger orgs with assets (e.g. equipment, a building) or who employ staff</li> <li>• Can take on legal obligations and buy property in its own name</li> <li>• The organisation is responsible for any debts</li> <li>• Funders may regard this structure as more stable as the company continues even if there is a change of people involved</li> </ul> | <ul style="list-style-type: none"> <li>• Cost to set up</li> <li>• Can be time consuming to run and annual accountancy fees will need to be paid</li> <li>• Regulated by both Companies House and Charity Commission ('dual regulatory burden')</li> <li>• Must notify both regulators of all changes to directors/trustees</li> <li>• Charitable company cannot have political or campaigning aims</li> </ul>  |
| <b>Charitable incorporated organisation (CIO)</b> | <ul style="list-style-type: none"> <li>• Separate legal identity with limited liability to protect trustees</li> <li>• Charity status</li> <li>• Accounts can be kept on 'receipts and payments' basis</li> </ul>  | <ul style="list-style-type: none"> <li>• Not recommended if need to set up rapidly (e.g. crisis appeals). Usually takes at least several months.</li> <li>• Difficult to get bank loans as CIOs don't need to keep public record of liabilities (which Charitable Companies do)</li> </ul>  |



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Charity no. 1182039



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|---|---|---|
|   | <p>for CIOs with income below £250k meaning simpler accounting and reduced accountancy fees compared to charitable companies)</p> <ul style="list-style-type: none"> <li>• Exempt from corporation tax on charitable trading</li> <li>• Mandatory rates relief (80% business rates reduction)</li> <li>• Charitable VAT exemptions and zero-rating reliefs apply</li> </ul>   | <ul style="list-style-type: none"> <li>• If CIO stops being charitable, it will cease to exist and must close, unlike charitable companies, which would continue as a non-charitable company even if it lost its charity status</li> <li>• Trustees can only be paid in very limited circumstances and need permission of Charity Commission to do so</li> <li>• More restrictions on what trading you can do, determined by charitable aims.</li> <li>• Trustees are volunteers. Those wishing to be paid staff must be willing to hand over control to the board of trustees</li> </ul> |
| <b>Community Interest Company (CIC)</b>                     | <ul style="list-style-type: none"> <li>• Easy to set up – ‘off the shelf’ template governing docs available from gov.uk</li> <li>• Recognition as a social enterprise</li> <li>• Directors of CICs can be paid therefore attractive to social entrepreneurs who wish to benefit the community and be paid for doing so</li> <li>• Some recognition by grant funders (particularly the larger ones)</li> </ul>   | <ul style="list-style-type: none"> <li>• Cannot be a CIC and a charity</li> <li>• Ineligible for some grant funding</li> <li>• Must have services or goods to trade/sell</li> <li>• Fee required to register with Companies House</li> <li>• Have to pay corporation tax and business rates</li> </ul>  |
| <b>Company limited by guarantee</b>                         | <ul style="list-style-type: none"> <li>• Corporate identify – can own property and contract in its own name</li> <li>• Limited liability. Debts and contracts belong to company not the members. Liability limited of directors (usually £1)</li> <li>• Continuity – until wound up it continues to exist, even if directors change</li> </ul>  | <ul style="list-style-type: none"> <li>• Can be used as a social enterprise but is not as ‘off the shelf’ as a CIC – requires legal support inserting social enterprise clauses</li> <li>• Fees - may be a legal fee for drafting the governing document. Reg fee with Companies House and accountancy fees for producing the accounts in company form and submitting annual returns.</li> </ul>  |
| <b>Co-operative &amp; Community Benefit Societies (CBS)</b> | <ul style="list-style-type: none"> <li>• Suitable if seeking inclusive and democratic governance – strong community buy-in through membership model</li> <li>• Limited liability of members – limited to their share capital</li> <li>• Flexible governance – CBS can get charitable status if aims are charitable. Co-ops cannot.</li> <li>• Option to raise community shares to generate capital</li> <li>• Regardless of how many shares bought, each member has an equal say (‘one member one vote’)</li> <li>• Useful for communities wishing to take control of an asset (e.g. a building)</li> </ul> | <ul style="list-style-type: none"> <li>• Both types must exist for the purposes of carrying out an industry, business or trade</li> <li>• Can take time to set up (at least few months).</li> <li>• Depending on amendments to governing document (‘rules’) can be costly to set up (ranging from £40 to several hundred pounds)</li> <li>• Regulated by Financial Conduct Authority (FCA). Must submit annual return.</li> </ul>   |

If you are considering incorporating and would like some free advice and guidance, please contact [fundinganddevelopment@buryvcfa.org.uk](mailto:fundinganddevelopment@buryvcfa.org.uk)



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