Devon Voluntary Action

A Devon-wide partnership building vibrant, healthy communities

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.

Company limited by guarantee (CLG) • No shares or shareholders. • Cannot distribute profits. • Has members who may pay subscriptions and be liable for limited sum if group wound up • Quick and easy to set up. • Registered with Companies House (www.companieshouse.gov.uk). • Charity Commission guidance on establishing a charitable CLG (www.charity-commission.gov.uk).	**Community Interest Company (CIC)** • Conducted for community benefit and not purely for private profit. • Often called social enterprises. • Subject to a community interest test and an asset lock. • Registration approved by the CIC regulator. • CIC regulator monitors and enforces. • Can have shareholders and pay directors. • Cannot be taken over and diverted away from the social vision of its founders. • Do not receive the tax advantages extended to charities and not recognised by all funders. • More information www.cicregulator.gov.uk
Industrial and Provident Society (IPS) • Business or a trade either as a bona fide co-operative or for the benefit of the community. • Run for the mutual benefit of their members. • Run for the benefit of the community - services for people other than their members. • Eligible for many of the tax-breaks available to charities. • Cannot register with the Charity Commission, so cannot take advantage of the benefits of registered charity status. • The FSA is the regulator rather than Companies House (www.fca.gov.uk).	**Charitable Incorporated Organisation (CIO)** • New legal form of incorporated charity which came into effect in 2012. • Have all the benefits which currently come from incorporating as a company, including limited liability for trustees and a separate legal personality. • Only regulated by the Charity Commission, no need to report to Companies House. • More information guidance about CIO implementation and requirements at www.charity-commission.gov.uk

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 or contact DeVA on 0845 6099901 or by emailing support@devonva.org.