

LEGAL STRUCTURES FOR THE THIRD SECTOR

Tax treatment	No charitable tax breaks if non-charitable. If charitable, similar to SCIO	No corporation tax for charitable activities SDLT and CGT exemptions. Rates relief, gift aid on donations	If charitable, same as SCIO. Rates relief sometimes given if not charitable	Interest (similar to dividends) can be paid on shares which may also attract tax incentives	Depends on society's Rules	No charitable tax breaks if non-charitable. If charitable, same as SCIO	No charitable tax breaks Rates and relief sometimes given	No particular tax reliefs unless trading subsidiary (shed profits through Gift Aid)	No charitable tax breaks. Rates and reliefs sometimes given	Tax charge on members profit share. No particular reliefs
Legal Personality	Unincorporated: No Trust: No	Yes – this is created when the SCIO is established	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Purpose	If non-charity: any purposes If charity: must be charitable and for public benefit.	Must be charitable and for public benefit	Benefit of the community – special reasons not to be a limited company	Benefits of its members. Cannot be charity	Depends on society's Rules	If non-charity: any. If charity: Charitable and for public benefit	Benefit of the community	Any	Benefit of the community	Any commercial purpose
Asset Lock	Only if charitable	Yes, statutory	Yes – specially drafted. If charitable - Yes	No	Depends on society's Rules	Usually – specially drafted, but definitely if charitable or CIC.	Yes, statutory	No (although can be drafted into it)	Yes – statutory	If in members agreement
Member voting rights	Unincorporated association: as set out in constitution. Usually one member one vote. Trusts do not have members	Usually one member, one vote. Members have duty of care towards charity.	One member one vote	One member one vote	One member one vote	Usually one member one vote	Usually one member one vote	Usually in proportion to shareholding	Usually in proportion to shareholding	As per members agreement

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Debt Finance	Yes (bank/lender may require personal guarantee from trustee(s))	Yes	Yes (If charitable, ensure repayment terms are reasonable)	Yes.	Yes	Yes (If charitable, ensure repayment terms are reasonable)	Yes	Yes	Yes (caps on performance related interest (quasi equity))	Yes
Constitution	Constitution or Trust Deed	Constitution	Rules	Rules	Rules	Articles of Association	Articles of Association	Articles of Association	Articles of Association	Members' agreement.
Regulator	None/OSCR (if charitable)	OSCR only	Financial Conduct Authority	Financial Conduct Authority	Financial Conduct Authority	Companies house (and also OSCR if charitable or CIC Regulator if CIC)	Companies House + CIC regulator	Companies House	Companies House + CIC regulator	Companies House