

## LEGAL STRUCTURES FOR THE THIRD SECTOR

	Unincorporated association /Trust	Scottish Charitable incorporation organisation (SCIO)	Industrial and Provident Society (IPS)		Companies (Including Community Interest Companies (CICs))				LLP
			Benefit of community (BenCom)	Co-operative	Guarantee		Shares		
					Company Ltd by Guarantee	CIC Ltd by Guarantee	Company Ltd by shares	CIC Ltd by shares	
<b>Likely organisation</b>	Unincorporated association: sports clubs, small community projects. Trusts: Small grants making charity (low risk activities)	New charities, existing unincorporated charities	Democratic, community focused non-profit organisation (e.g. housing association, credit union, community development)	Community development finance intuitions (e.g. credit union) and more commercial social enterprises with members	Social enterprises/charity/ community group – under right to buy	Specifically designed for social enterprises with protected social mission	Usually a commercial venture may be used for social purpose very rarely a charity. Used by charitable trading subsidiaries	Specifically designed for social enterprises with protected social mission	Joint venture project or consortia, particularly where see-through tax beneficial.
<b>Social Purpose Protected</b>	If charitable or constitutional requirement	Yes	FCA must approve any changes to rules.	FCA must approve any changes to rules.	If charitable or constitutional requirements	Yes	Only if constitutional requirement	Yes. Profit distribution allowed	If in member's agreement
<b>Limited Liability</b>	Unincorporated: No (members may be personally liable for debts) Trusts: degree of protection but trustees may be personally liable for debts	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>Tax treatment</b>	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	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

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	Unincorporated association/ Trust	Scottish Charitable incorporation organisation (SCIO)	IPS: Society for the Benefit of Community (BenCom)	IPS: Co-operative	Company Ltd by Guarantee	CIC Ltd by Guarantee	Company Ltd by shares	CIC Ltd by shares	LLP
Legal Personality	Unincorporated: No Trust: No	Yes – this is created when the SCIO is established	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Purpose	If non-charity: any purposes If charity: must be charitable and for public benefit.	Only if charitable and for public benefit	Benefit of the community – special reasons not to be a limited company	Benefits of its members. Cannot be charity	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	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 the rules/constitution and 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	Usually one member one vote	Usually one member, one vote	Usually proportionate to shareholding	Usually proportionate to shareholding	As per members agreement
Debt Finance	Yes (bank/lender may require personal guarantee from trustee(s))	Yes	Yes (If charitable, ensure repayment terms are reasonable)	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	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	Companies house (& also OSCR if charitable or CIC Regulator if CIC)	Companies House + CIC regulator	Companies House	Companies House + CIC regulator	Companies House