

Legal Structures

What is it?

The main legal structures for voluntary organisations are:

Unincorporated

- Unincorporated Organisation
- Charitable Trust

Incorporated

- Company limited by guarantee
- Community interest company (CIC)
- Charitable Incorporated Organisation (CIO)

Is it for my organisation?

It is essential that all voluntary organisations have some form of legal structure.

There are a range of different elements to consider when deciding which legal structure is right for your organisation as this defines the decision making process. It also outlines how your organisation needs to be managed to ensure it operates within the law.

When choosing the right legal structure for your organisation it is important to think about which structure suits your particular organisation’s core values.

It is also important to bare in mind that each legal structure has its own governing document and governing body (please see below).

Unincorporated Association

Governing Document	Governing Body
Constitution or set of rules	Management or executive committee

Charitable Trust

Governing Document	Governing Body
Trust Deed	Trustees

Company limited by guarantee

Governing Document	Governing Body
Memorandum and Articles	Board, Council of Management, Directors

Charitable incorporated organisation (CIO)

Governing Document	Governing Body
Memorandum and Articles	Board, Council of Management, Directors

Community interest company (CIC)

Governing Document	Governing Body
Memorandum and Articles of Association	Board of Directors

What does it do?

Unincorporated

For example; Unincorporated Association and Charitable Trust.

- Has no legal identity of its own and cannot enter into contracts or legal agreements, however it’s individual members can on the organisations behalf.
- The management committee are potentially legally liable for whatever problems the organisations faces
- It does not require approval to be set up, unless it is applying for charity status there is no need to register, pay fees or answer to an external body.

Incorporated

For example; Company Limited by Guarantee, Charitable Incorporated Organisation (CIO) and Community Interest Company (CIC).

- The organisation has its own legal identity and is registered through Company’s House.
- Members guarantee to pay between £1 and £5 if the organisation cannot meet its financial obligations to third parties.
- Company Directors are personally liable in the following:
 - If the organisation or an individual acts dishonestly, fraudulently or criminally or are in breach of the law
 - If an individual acts in breach of the charities trust (memorandum and articles).

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Legal Structures

What are the benefits?

Having a legal structure ensures that your organisation has a governing body and a governing document. The governing document outlines your organisation's core values and aims, provides policies and procedures to follow when making decisions and solving disputes. The legal structure also ensures accountability and credibility.

Having charitable status can also have specific benefits including:

- Tax Relief - charities do not pay income or corporation tax, they are exempt from stamp duty, do not pay capital gains tax, sales in charity shops are exempt from Value Added Tax (VAT).
- Rate Relief - 'A charity pays only 20% of the non-domestic rate on any building it uses wholly or mainly for charitable purposes (mandatory relief). The local authority has the discretion to waive the 20% so that the organisation pays no rates at all (discretionary relief)

LVSC Voluntary But Not Amateur - A guide to the law for voluntary organisation and community groups.

Who does it apply to?

It applies to all voluntary organisations.

How will it affect me?

Depending on which legal structure your organisation chooses there are different levels of liability and different ways of governing your organisation.

Why is it important?

It is important as having a legal structure sets out your organisations governing body and governing document. It defines the level of liability and determines how your organisation is managed.

When?

Getting the right legal structure for your organisation is something which should be completed in the initial stages

when forming your organisation. However the decision to change your legal status is a decision which should be made by your organisations governing body.

What else can I do?

For more information visit the Charity Commission website at:

www.charitycommission.org.uk

The charity commission acts as a registrar for charities, providing advice, guidance as well as dealing with complaints and making charities accountable through annual returns.

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