

SOCIAL ENTERPRISE: CHOOSING THE RIGHT LEGAL STRUCTURE

THE WEBINAR WILL START SHORTLY



ALMOND TREE
STRATEGIC CONSULTING

2.30 PM | THURSDAY 21 MAY 2020

WHAT WE WILL COVER

Main legal forms for social businesses

Pros and cons of each

Changing between legal forms



POLL

Which of the following legal forms have you heard of before?



UNINCORPORATED FORMS

Sole trader/“partnership”

Unincorporated association

Trust



KEY FEATURES

No legal personality of its own – can't enter into contracts...

...therefore proprietors carry much higher personal liabilities.

Other legal requirements still apply, e.g. business names, record keeping, consumer protection, health and safety, etc.

Trusts/Unincorporated associations can register as a charities in the right circumstances.



TAX

Required to register with HMRC for:

- PAYE and employer NI contributions if they have employees.
- VAT if their VATable turnover exceeds the threshold.

Sole trader/partnership - taxed as income of the (usually self-employed) individuals involved.

Trusts/Unincorporated associations usually liable for corporation tax.

May be liable for other taxes (e.g. Business Rates)



INCORPORATED FORMS

Companies

Charities

Registered Societies

Limited Liability Partnerships



KEY FEATURES

Legal personality in its own right – CAN enter into contracts...

...therefore proprietors carry lower personal liabilities.

Liable for PAYE, NI contributions, VAT, Corporation Tax, Business Rates, etc.



COMPANIES

Subject to Company Law

More stringent accounting and reporting requirements

Can be limited by shares or by guarantee

Can be a CIC in the right circumstances

Can be a registered charity in the right circumstances



SHARES or GUARANTEE?

Shareholders vs members

Both can distribute profits.

CLG more commonly associated with “not for profit”

Either can be a CIC with appropriate restrictions

CLG can register as a charity with appropriate restrictions



POLL

True or false – a CIC is a form of charity?



CIC or not?

Must be for community benefit

Asset locked – limited or no ability to distribute profits

Additional reporting requirements

Differential access to funding

Marketing advantage?

No real tax advantages



POLL

True or false – charities are allowed to trade?



CHARITY or not?

Many different forms of charity available

Subject to Charity Law

- Much more restrictive
- Additional regulation by the Charity Commission
- Additional reporting requirements

Differential access to funding

Significant tax advantages

Marketing advantage?

More complex governance



POLL

True or false – a CIO is a form of company?



CIOs

Subject to Charity Law only

- Not regulated by Companies House

Less suitable if borrowing required

Less familiar/tested



REGISTERED SOCIETIES

Formerly Industrial and Provident Societies, now:

- Cooperative Societies – set up to benefit their members (cannot usually be a charity).
- Community Benefit Societies – set up to benefit the community as a whole (can be an “exempt” charity).

Regulated by the Financial Conduct Authority

Cannot distribute profits other than interest on shares

Can be expensive and complex to set up and administer

Less well understood

POLL

True or false – an LLP is a form of company?



LIMITED LIABILITY PARTNERSHIP

Regulated by Companies House but not a company

Simpler reporting/regulation

Transparent for tax purposes

- non-corporate partners pay self-assessed income tax
- profits shared by corporate partners are liable to pay corporation tax

Flexible model when working in partnership with others

Much more freedom than companies

Partner salaries normally treated as profit (for a company they are operating costs) - misleading for investors?

Difficult to asset lock



CHANGING YOUR MIND



ALMOND TREE
STRATEGIC CONSULTING

POSSIBLE CONVERSIONS

Usually involves a change of legal personality and transfer of assets except (in some cases) for:

- Private company to CIC
- CIC to charitable company, CIO or Community Benefit Society
- Charitable company to CIO
- LLP to a private company
- Private/charitable company to Registered Society
- Registered Society to private/charitable company

For each of the above conversions there are restrictions, exceptions and/or often complex requirements.



Q&A

After you have attended one of the British Library's events they ask that you complete a short feedback form. At the conclusion of this webinar a window will open in your web browser for you to complete the survey and the link will be sent to you in a follow up email tomorrow. We'd be grateful if you would take 5 minutes to complete the survey.

The British Library will use the information you provide to improve the services we offer in line with its legitimate interests. This information is collected and transferred to us by their third-party processor, Impact Reporting using their Impact Assessment Tool. Impact Reporting will retain your data to save time when completing any future feedback forms the British Library may send you. For more information about how they use personal information, please see their privacy policy online at <https://impactreporting.co.uk/legal/privacy-policy/>

Julian Lomas

Tel: 07802 957 938
Email: julian@almondtreeconsulting.co.uk
Web: www.almondtreeconsulting.co.uk
