

Some advantages and disadvantages of different types of structures

| Structure | Advantages | Disadvantages | When to consider |
|---|---|---|---|
| Unincorporated organisation | Simple set up Little “red tape” No costs to set up Can be a charity | Members’ liability May be disadvantaged in commissioning opportunities | If members have an agreed common purpose but will not want to sign contracts, employ staff etc |
| Company limited by guarantee (regulated by Companies House) | Simple set up Low cost set up Limits liability of members Can register as a charity | Directors cannot be paid Must comply with Companies House regulation | If the organisation is likely to sign leases, employ staff, trade goods or services |
| Company limited by shares (regulated by Companies House) | Simple set up Low cost set up Limits liability of members Enables profits | Can register as a charity but difficult May be frowned upon by funders as profit making | If the organisation is likely to sign leases, employ staff, trade goods or services If keeping volunteers involved in a board or management committee is difficult |
| Community Interest Company (regulated by CIC regulator) | Simple set up Low cost set up Limits liability of members Directors can be paid | Cannot be a charity | If the organisation is likely to sign leases, employ staff, trade goods or services If keeping volunteers involved in a board or management committee is difficult |
| Charitable Incorporated Organisation (regulated by the charity commission) | Simple set up Low cost set up Limits liability of members Enables company to be incorporated and a charity Tax breaks Gift aid | Directors cannot be paid Trading commercially may be difficult Activity limited to agreed charitable purpose Strict financial and accounting rules | If signing contracts, leases and employing staff but wanting to be strictly not for profit |

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| Limited Liability Partnership | Simple set up Low cost set up Limits Liability of Members Enables profits Has advantages of a company, without restrictions on share capital | Cannot be a charity Subject to accounting and filing requirements of Companies Act 2000 and Limited Liability Partnership Act 2000 | If the organisation is likely to sign leases, employ staff, trade goods or services Must be set up by two individuals with a view to a profit |
| Sole Trader | Simple to set up Low cost to set up No red tape No requirement to register with Companies House Enables profits | Individual liability Workload and responsibility on sole individual Must register with HMRC as self employed | If an individual wants to set up a private profit making business |