**Key Questions in choosing a CIC or Charity**

Here are some key questions you need to ask in order to decide if a CIC (Community Interest Company) or charity would be the best choice for you.

* **How quickly do I want to set my non profit up?**  You need quite a bit of information to set either up, but once submitted a Companies House decision on registering a CIC normally takes only a couple of days.  Charity registration decisions can take several months and securing registration for a charity is much more challenging.
* **How much flexibility/control do I want?** CICs only require 2 directors and, as the Managing Director, you can be a member of the Board.  Charities require at least 3 trustees and are more bureaucratic.
* **Will I be getting paid?** If anyone on the Board has a close personal or business relationship with a member of staff or company you will work with, there's a conflict of interest, which you will need to manage.  The directors of a CIC can be paid.  Trustees of a charity can also be paid, but it's quite a bit more bureaucratic.
* **Will we be trading?** Both charities and social enterprises can trade, but it can be more complicated if you're a charity.  If your charity trading falls within your objects (primary purpose), you shouldn't have corporation tax liability.  However, if it's not (secondary purpose), you may have to set up a trading subsidiary, if the amount exceeds the small trading tax exemption limit.
* **How will my non profit be funded?**  Charities are more bureaucratic, but the payback is that they are by far more useful for fundraising and enjoy a range of charitable tax reliefs that CICs do not, particularly Gift Aid.  Gift Aid adds 25% to charitable donations from eligible UK tax payers.

What's the difference between a CIC and a Charity?

* **Setting Up A CIC** - a social enterprise is a company that uses its profits and assets for the public good. Community Interest Companies (CICs) are probably the most well known, but there are range of other legal structures - here's a useful guide.
  + A **CIC Limited By Guarantee** is the only type that can convert to a charity, if you subsequently wish to.
* **Setting Up A Charity.** There are 4 legal structures for registered charities; charitable trusts, charitable companies and 2 models of Charity Incorporated Organisations (CIO) - the foundation model (no voting members) and the association model (voting members).  Charities take far longer to set up, are less flexible, but enjoy far more tax reliefs and are better for fundraising.
* Many small groups are **unincorporated associations** (unregistered charities). These do not have limited liability protection, you must register if your income exceeds £5k pa and some funders will only support registered charities.  However, these are very quick and easy to set up – you just need a Committee and a Constitution. You can open a bank account and register with HMRC for Gift Aid.

Setting up your CIC or Charity CIO - Which type to choose

This infographic shows you visually the most common types of non-profit and the pros and cons of each.

However, by far the 2 most common choices are a CIC Limited by Guarantee or a registered charity, usually a Foundation CIO.

* **CIC Limited by Guarantee** - is quicker and simpler to set-up, has more of a 'business' image than charities and can pay board directors, but don't qualify for charity tax reliefs and, whilst fundraising is possible, it's more difficult.
* **Registered Charities** - are best for fundraising, can claim the extensive charitable tax reliefs, but are much harder to set up, more bureaucratic to run and paying trustees is more complicated.

Source: https://www.charityexcellence.co.uk/Home/BlogDetail?Link=Starting\_A\_Nonprofit\_Social\_Enterprise\_Or\_Charity&dm\_i=6MG6,QJWP,4PVX0A,3AR9Y,1

There is more information about the choice of legal structures for community groups and charities here:

https://www.resourcecentre.org.uk/wp-content/uploads/2015/11/legal-structures.pdf

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