

Limited companies with a social purpose

Social enterprises often take on the form of a limited liability company (LLC). This is a more accountable form than, for example, an unincorporated association.

LLCs have an "objects" clause that sets out the company's aims or purposes. Although these objects can be commercial, if your business is **a social enterprise**, they may be to regenerate an area or provide employment for people with learning difficulties. If you are a **charity**, you must have an object that the law defines as charitable, such as relieving financial hardship or promoting education.

Types of Limited Liability Company

There are two incorporated forms to choose between when setting up a social enterprise as an LLC:

- **Private company limited by shares (CLS)** - shareholders each hold shares in the company. Their liability is limited to the amount unpaid on shares they hold. A public limited company (PLC) differs from a CLS in that its shares can be sold to the general public.
- **Company limited by guarantee (CLG)** - each of the members gives a guarantee for a certain sum that will be put towards the company's finances if the company is wound up. A CLG cannot raise finance by issuing shares, nor pay dividends to its members.

LLCs often underpin other forms of social enterprise- such as Community Interest Companies (CICs) - in which case you will have to meet additional requirements.

Registration and costs

All LLCs - including CICs - must register (incorporate) and file annual returns at Companies House. LLCs must also submit a set of memoranda and articles of association. A standard incorporation certificate costs £20.

LLCs, with the exception of CICs, can also apply for charitable status if the organisation has exclusively charitable objects. However, a CLS is unlikely to get charitable status.