

## Appendix C- Choice of LACC company models

### Key advantages and disadvantages of common LACC vehicles

Company Limited by Shares	
<u>Advantages</u>	<u>Disadvantages</u>
"Tried and tested" – a flexible and familiar structure which is still the most popular form of corporate JV vehicle.	Annual and event driven reporting to Companies House means a reasonably high degree of publicity regarding the company.
Simple mechanism for introduction of new equity/transfers, although transfers of shares subject to potential 0.5% stamp duty charge. The share capital structure means shareholders can hold different numbers of shares (or different classes) and therefore hold varying levels of influence.	Directors subject to statutory and common law duties, especially if the company is in or is near insolvency.
Nature of shares as an investment gives possibility of future "exit" as well as income return for shareholders, subject to there being sufficient profits available for the purpose of distribution.	Company treated as a separate taxable entity from its shareholders.
Can be used for LA trading.	Potential issues surrounding valuation of shares on exit.

Company Limited by Guarantees	
<u>Advantages</u>	<u>Disadvantages</u>
Often used as a vehicle for embedding "social" values (e.g. social objects and no profit distributions to members), without the need to use a CIC, a Society or a charitable company.	Guarantee given by each member represents a future, albeit usual nominal, liability.
Membership easily changed by members being admitted or resigning from membership. No issues surrounding valuation on exit.	Annual and event driven reporting to Companies House means a reasonably high degree of publicity regarding the company.
Can be used for LA trading.	Directors subject to statutory and common law duties, especially if the company is or is near insolvency.
	Company treated as a separate taxable entity from its shareholders.
	Not as easy to distribute profits as with a CLS. CLGs are not appropriate if the

	members are looking for a profitable "exit" in the future.
	Cannot issue shares as a means of raising finance.

<b>Share Community Interest Company</b>	
<u>Advantages</u>	<u>Disadvantages</u>
Vehicle has automatically embedded "social" objects and requirement to use assets towards that social purpose. The creation of a CIC emphasises both its social character and local focus.	Alongside publicity requirements for a CLS, a Share CIC has additional publicity obligations towards the CIC Regulator.
Simple mechanism for introduction of new equity/transfers, although transfers of shares subject to potential 0.5% stamp duty charge. The share capital structure means shareholders can hold different numbers of shares (or different classes) and therefore hold varying levels of influence.	CIC Regulator has wide powers of inspection and intervention, albeit these would most likely be used in serious cases only.
CIC can raise finance through the issue of shares.	Returns to equity and debt investors are limited. Surplus assets on dissolution will not go to the shareholders of a Share CIC automatically (unlike the shareholders in a CLS).
Nature of shares as an investment gives possibility of future "exit" as well as income return for shareholders, subject to there being sufficient profits available for the purpose of distribution.	Directors subject to statutory and common law duties, especially if the company is or is near insolvency.
Can be used for LA trading	Company treated as a separate taxable entity from its shareholders.

<b>Guarantee Community Interest Company</b>	
<u>Advantages</u>	<u>Disadvantages</u>
Vehicle has automatically embedded "social" objects and requirement to use assets towards that social purpose. The creation of a CIC emphasises both its social character and local focus. A Guarantee CIC is also "not for profit", given it cannot distribute profits to its members.	Alongside publicity requirements for a CLG, a Guarantee CIC has additional publicity obligations towards the CIC Regulator.

Membership easily changed by members being admitted or resigning from membership.	CIC Regulator has wide powers of inspection and intervention, albeit these would most likely be used in serious cases only.
Can be used for LA trading.	No ability to distribute profits to members.
	Directors subject to statutory and common law duties, especially if the company is or is near insolvency.
	Company treated as a separate taxable entity from its members.

### Limited Liability Partnership

<u>Advantages</u>	<u>Disadvantages</u>
Not treated as a separate taxable person, so no "double tax" on profits generated, then distributed, to members.	Annual and event driven reporting to Companies House means a reasonably high degree of publicity regarding the LLP.
Flexible vehicle – no Companies Act directors, so no directors' duties (albeit these can be imposed by contract and underlying fiduciary duties probably exist for any LLP management)	Requirement for an LLP agreement to avoid default provisions under the Regulations applying.
	Requires a minimum of two members – a company can be incorporated with one.
	LLPs cannot be used by local authorities if undertaking trading or activities for a commercial purpose.

### Society

<u>Advantages</u>	<u>Disadvantages</u>
Lower level of annual and event driven reporting to the FCA than for companies, CIC and LLPs.	FCA-regulated, which is not as straightforward as dealing with Companies House
Vehicle has automatically embedded "social" objects and requirement to use assets towards that social purpose. A Society is also "not for profit", given it cannot distribute profits to its members	Requires a minimum of three members (or two if both members are themselves Societies).
Mechanism for introducing new members can be straightforward, through issue of new shares.	Shares do not represent an investment in the Society. Assets cannot be distributed to members, either as profit or on a winding up.

	Less well-known/used, so less familiar structure than companies, CICs and LLPs.
	Society treated as a separate taxable entity from its members.