

COMPANY TYPES & REGISTERS

Specialist Company Types: Choosing the Right Vehicle

Guarantee companies, CICs, charitable companies, unlimited companies, PLCs and LLPs compared: when each fits and what each takes to maintain.

Starting with the purpose

Most owner-managed businesses use a private company limited by shares. Some clients have a purpose that fits another vehicle better. The right choice depends on who owns the entity, whether profits are to be distributed, who regulates it and what filings the structure will demand.

Company limited by guarantee

A company limited by guarantee has members rather than shareholders. Each member promises to contribute a stated, usually small, amount if the company is wound up. There is no share capital and no distribution of profits to members. Typical uses are clubs, associations, management companies, professional bodies and not-for-profit organisations. The articles set out the objects and governance. Directors owe the same statutory duties as any other directors.

Community interest company (CIC)

A CIC is a company, limited by shares or by guarantee, that exists to benefit the community rather than its owners. A CIC is created with a community interest statement and a declaration on form **CIC36**, and its articles must contain an asset lock and limits on dividends where it has shares. The CIC Regulator reviews applications, and the company must file an annual community interest company report with its accounts. CICs suit social enterprises that want to trade and raise investment while keeping a public-benefit commitment.

Where owners want a trading business with a social purpose and some return to investors, a CIC is usually the closer fit. Where they want charitable status and the credibility that goes with it, a charitable company is, but the Charity Commission's rules then govern how the company is run.

Charitable companies

A company can be a charity if its purposes are exclusively charitable and for the public benefit. It is both a company, regulated under the Companies Act 2006, and a charity, regulated by the Charity Commission, and it must meet the requirements of both. Charitable status is a matter of regulation and eligibility, not simply of choice of company type. Advice should come from a charity law specialist.

Key points

- The choice of vehicle follows the purpose, not the other way round.
- Guarantee companies and CICs cannot distribute profits to members in the usual way.
- CICs and charities have an additional regulator.
- Unlimited companies and LLPs are chosen for flexibility, with different liability.
- PLC status brings minimum capital, a secretary and more formality.
- Each type carries its own filing and reporting duties. Cost follows the workload.

Unlimited company

Members of an unlimited company have no limit on their liability for its debts, but the company can have more flexibility over capital and, subject to conditions, may not need to file its accounts at Companies House (s.448). It is sometimes used by families who value privacy and where the members are willing to accept the liability. Moving between limited and unlimited status is covered in our re-registration guide.

Public limited company (PLC)

A PLC may offer shares to the public and can have its shares traded. It needs a minimum of £50,000 allotted share capital, with at least a quarter paid up, at least two directors and a secretary. It must obtain a trading certificate before it starts business (s.761) and hold an annual general meeting. Its accounts must be filed earlier than a private company's. Many businesses that never list nevertheless use a PLC for credibility or to meet investor requirements.

Limited liability partnership (LLP)

An LLP is a corporate body with the flexibility of a partnership. Its members, not shareholders, run it under an LLP agreement, and at least two must be designated members with specific filing responsibilities. The LLP is generally taxed as a partnership, with each member taxed on their share. It is common for professional practices and property holdings. Its governing law is the Limited Liability Partnerships Act 2000.

Questions to ask the client

- Is anyone to receive profits?
- Is there a public-benefit purpose, and who must approve it?
- Who will own the entity, and who will run it?
- Do the owners understand the liability?
- Is the structure going to raise outside investment?
- Which regulators and filings will apply?
- Will it change in future, for example from a guarantee company to a CIC?

Comparing the types

TYPE	OWNERS	PROFITS	MAIN EXTRA REQUIREMENT
Private limited by shares	Shareholders	Dividends	Standard filings
Limited by guarantee	Members	Not distributed	Objects and governance
CIC	Members or shareholders	Capped or locked	CIC36, regulator report
Unlimited	Members	Flexible	Unlimited liability
PLC	Shareholders	Dividends	£50,000 capital, secretary
LLP	Members	Shared by agreement	LLP agreement, designated members

What each costs to maintain

Cost follows workload, not the legal label. Every type needs accounts and an annual confirmation statement. CICs add a regulator's report. PLCs add earlier filing deadlines and more formal meetings. Charitable companies add Charity Commission reporting. We quote fixed fees once we know the structure.

How MTM can help

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We incorporate each of these entity types, draft articles and agreements to suit the purpose, and take on the registers, confirmation statements and annual filings afterwards. For a practice, the choice of vehicle usually stays with you and your client. We carry out the formation and keep the entity compliant.