

Summary of Models of Social Enterprise in UK

	Company Limited by Shares	Company Limited by Guarantee	Community Interest Company	Industrial & Provident Society	Charitable Company Limited by Guarantee	Charitable Trust
Regulated by	The Department for Business, Innovation and Skills (BIS)	BIS	BIS	Financial Services Authority (FSA)	BIS & Charity Commission	Charity Commission
Reporting	Financial statements and an annual return must be filed with Companies House each year	Financial statements and annual returns must be filed with Companies House each year	<ul style="list-style-type: none"> ▪ Financial statements and annual returns must be filed with ▪ Companies House each year ▪ An annual community interest company report on its activities 	Submit accounts and an annual return	Report to Charity Commission	Financial statements and an annual return must be filed with the Charity Commission each year.
Governing body	Directors	Directors	Directors	Management Committee	Directors / Trustees	Trustees
Limited liability	Yes	Yes	Yes	Yes	Yes	No
Eligible for charitable status	No	Yes	No	No	Yes	Yes
Protection of social purpose	Not guaranteed unless charitable	Not guaranteed without charitable status	Yes	FSA has to approve changes	Yes	Yes
Tax-exempt	No	Yes	No	Yes ¹	Yes	
Grant(govt)	No	No	Yes	No	Yes	Yes
Loan	Yes	Yes	Yes	Yes	Yes	
Asset Lock	No	No	Yes	Yes ²	Yes	Yes
Profit distribution permitted	Yes	Yes	Yes / No ³	Yes / No ⁴	No	No
Trading limitations	No	No	No	Yes / No ⁵	Yes	Yes

¹ Charitable status for IPS Community Benefit Societies

² can be written into rules if required

³ determined by articles

⁴ depends whether “exempt charity”

⁵ Ibid.

Useful link

Article “Determining the right legal structure for your social enterprise”

<http://unltd.org.uk/portfolio/3-7-determining-the-right-legal-structure-for-your-social-enterprise/>

Summary of Models of Social Enterprise in Canada

	Registered Charity	Non-Profit				Community Contribution Company(C3)	Community Interest Company
		In-house — No separation	Separate entities				
			for-profit subsidiaries	Separate non-profit society	Co-operatives		
Purpose	Social Mission	business activity is housed within the charity's legal structure ¹	Separating the business into its own entity allows for greater focus on the business purpose ²	Entitled to carry on any lawful activities so long as it does not have profit making purpose.	Social goals, such as delivering needed services or creating new Jobs - help individuals increase assets -empower people through the co-operative decision making mechanism. ³	One or more community purposes which are beneficial to society at large or a segment of society that is broader than the group of persons who are related to the C3. ⁴ 60% of profit for the social missions, 40% (maximum) for shareholders ⁵	A purpose beneficial to society at large, or a segment of society that is broader than the group of persons who are related to the community interest company
Establishment requirement	Registered with the Canada Revenue Agency ("CRA") as charities	Under the direct control of the organization's board of directors and	CRA requires that there be a firewall between the Two entities. ⁶	Governed by the <i>Societies Act (Alberta)</i> . However <i>Tax Act</i> trumps the <i>Societies Act</i>	Complying with CRA's charitable guidelines	Register through British Columbia Registry Services under <i>Business Corporations Act</i> ⁷	<i>Community Interest Companies Act</i> and incorporated under <i>the Companies Act</i>

¹ Open only to organizations developing businesses that meet the criteria for charitable or related business activities.e.g. community clinic. And probably the most appropriate choice for small and beginning enterprises that are clearly charitable or related business activities

² Reduce perceptions of unfair competition with the private sector

³ "co-operatives are enterprises owned by their members, who use and benefit from services offered by co-operatives" Stated by Canadian Co-operative Association.

⁴ Community purposes may include providing health, social, environmental, cultural, educational or other services. It is designed to bridge the gap between for-profit businesses and non-profit enterprises

⁵ Unless shareholders are registered charities and other "qualified donees" under the *Income Tax Act*.

⁶ None of the charity's assets can be used to benefit or subsidize the non-charitable entity.

⁷ <http://www.bcregistryservices.gov.bc.ca/local/bcreg/documents/forms/reg50ccc.pdf>, *Corporations Act* (British Columbia) (the "BCBCA") allows for Community Contribution Companies ("CCCs" or "C3s")

Summary of Models of Social Enterprise in Canada

	complying with The Income Tax Act (ITA)	subject to the organization's constitution and bylaws					
Tax exempt	Yes	For-profit revenue of the enterprise will be exempt from income taxes	No	Yes	Yes	No	No
Legally recognized	Federal	Federal	Federal	Federal	Federal	British Columbia	Nova Scotia
Attract investment	No	No	Yes	No	No	Yes	Yes
Grants	Yes	Yes	No if lose the charitable status by attracting investors	Yes	No	No ⁸	No
Tax deductible charitable donations	Yes	Yes/No	No	No	No	No	No
Profit can be applied to the social/environmental mission	Yes	Yes	Yes	Yes	Yes	Yes ⁹ with "asset lock"	Yes ¹⁰ with "asset lock"
Reporting and compliance costs /Regulator	CRA	CRA guidelines	CRA guidelines	Must file an annual return with either the provincial or the federal government	British Columbia Co-operative Association Canadian Co-operative Association CRA	Publish an annual "community contribution" report describing their activities ¹¹	Publish an annual community interest report for shareholders and the Registrar of Community Interest

⁸ <http://www.fin.gov.bc.ca/prs/ccc/caq.htm>

⁹ 60% of profits must be redirected into the social purpose of the company – leaving 40% or less available for distribution to shareholders. When winding up, "asset lock" to ensure that at least 60% of the business value will go to the social purpose

¹⁰ When company is dissolved, assets would be transferred by the liquidator to qualified entities specified by special resolution or by Registrar.

¹¹ CCCs are required to produce and publish an annual "community contribution report". This report will provide details of the CCC's activities, transfer of assets, amount of dividends that were declared, the identities of shareholders receiving dividends, and a list of persons who are remunerated more than \$75,000.

Summary of Models of Social Enterprise in Canada

							Companies.
Limited liability on decision-making for Corporation social responsibilities	No	Shields the non-profit or charity from business risk	Isolate and limit the parent charity's potential liability.	Members of the incorporated society are not liable for the debts or obligations of the society	No – only personal liability limited	Not mentioned	Not mentioned in <i>Community Interest Companies Act</i>

Survey done by Community Wealth Ventures, The Social Enterprise Alliance and The Center for The Advancement of Social Entrepreneurship in 2009 suggests social entrepreneurs are operating comfortably within the current legal framework for social enterprise. In fact, respondents provide little evidence of a surge in interest in new structures such as the L3C, a new form of limited liability company (LLC) designed to allow organizations to attract a mix of investment money from various sources.¹²

Useful link:

Social Enterprise that Empowers: the Co-operative Model

<http://www.socialenterpriseworldforum.org/blog/2013/10/01/social-enterprise-that-empowers-the-co-operative-model/>

Community contribution companies: a new corporate structure for social enterprise <http://www.lexology.com/library/detail.aspx?g=adc4dcad-d276-4887-95b8-11b437e23400>

Community Contribution Companies: Canada's First Purpose-Built Social Enterprise or Social Entrepreneurship Organizational Structure <http://www.gowlings.com/KnowledgeCentre/article.asp?pubID=2818>

¹² The survey has 400 respondents. Details see "Social Enterprise : A Portrait of the Field"

Summary of Models of Social Enterprise in United States

	Social Enterprise Legal Form					Hybrid Social Enterprise	
	Public Charity 501(c)(3)	Social Welfare Organization 501(c)(4)	L3C Low-profit Limited Liability Company Similar to CIC in UK	Benefit Corporation	Flexible Purpose Corporation	Not-for-profit entity with a for-profit subsidiary	Not-for-profit entity with a related(or sister) for-profit company
Tax-exempt	Yes ¹	Yes	No	No	No	Yes ²	Yes ³
Tax deductible donations	Yes	No	No	No	No	Yes for non-profit business	Yes for non-profit business
Taxes on unrelated business taxable income (UBTI)	Yes	Yes	Yes Taxes on all income	Yes Taxes on all income	Yes Taxes on all income	Yes for non-profit business for non-profit business	Yes but could set up S-corporation to save up to about 10% of the total revenue ⁴
Support from businesses/ industries	Yes	No	No	No	No	Yes	Yes
Purpose	Focus on non-profit activities, otherwise no tax-exempt	promotion of "social welfare" including political campaigns and elections	Designed to attract private investments and philanthropic capital and to provide a social benefit	<ul style="list-style-type: none"> Social-impact-focused corporation provide material positive impact on society and the environment, taken as a whole Companies that want to create a measurable positive impact while and providing greater transparency to the public 	<ul style="list-style-type: none"> A specific purpose that has a positive effect on any of the following: its employees, suppliers, customers, creditors; the community and society; or the environment Allowed to have an internal facing social mission (called a "special purpose"), such as reducing its own carbon footprint or ensuring that its employees aren't negatively affected by the company's business decisions. Seeking to do good on their own terms 	Not limited	Not limited
Limited liability / liability shield	NIL	NIL	Yes	Yes	Yes	Yes	Yes

¹ But 1/3 of income from govt or the public to remain the status

² But separate managements needed

³ But separate managements needed

⁴ Tax accessed at shareholders' individual income tax rates to save up to about 10% of the total revenue and consents from all shareholders on the donations to the non-profit business

Summary of Models of Social Enterprise in United States

Loan	No	Yes	Yes program-related investments ("PRIs") ⁵	Equity and secure debt financing, pursuant to general corporate law. It can also receive PRIs ⁶	Best form for raising private investment among other forms.	Loan	Yes program-related investments ("PRIs")
Legally recognized	Federal	Federal	State ⁷	State ⁸	currently only available in California	currently only available in California	currently only available in California
Regulator	IRS	IRS	IRS ⁹	<ul style="list-style-type: none"> ▪ IRS ▪ Statute requirement on third-party standard setters.¹⁰ ▪ Certified as B-crop by B Lab ▪ Annual Benefit Reports¹¹ 	<ul style="list-style-type: none"> ▪ IRS ▪ Internally measures whether it satisfied its special purpose.¹² ▪ Annual reports¹² 	IRS ¹³	IRS ¹⁴
Legal requirement	Comply with IRS require ments & Internal Revenu e Code	Internal Revenue Code	L3C's Articles of Organization already includes language satisfying the IRS's requirements on what types of entities (or projects) a PRI can be used for. ¹⁵	States could have, alternatively, inserted provisions to allow the articulation or preference of social goals into their existing corporation laws as an opt-in provision.			

⁵ Loans to or equity investments in either non-profits or for-profits for a charitable purpose through which the lender or investor foundation can earn a return as long as the pursuit of the return is incidental to the charitable purpose/ start-up capital from for-profit investors, as well as from the government and from foundations.

⁶ It can also receive PRIs, although a Benefit Corporation still faces the same challenges and requirements as an **L3C** seeking foundation dollars.

⁷ Illinois, Louisiana, Maine, Michigan, North Carolina, Rhode Island, Utah, Vermont, and Wyoming and the federal jurisdictions of the Crow Indian Nation of Montana and the Oglala Sioux Tribe Illinois, Louisiana, Maine, Michigan, North Carolina, Rhode Island, Utah, Vermont, and Wyoming and the federal jurisdictions of the Crow Indian Nation of Montana and the Oglala Sioux Tribe

⁸ California, Hawaii, Illinois, Louisiana, Maryland, Massachusetts, New Jersey, New York, Pennsylvania, South Carolina, Vermont, and Virginia, and Washington

⁹ IRS reviews PRIs on a case-by-case basis and issues individualized rulings per proposed PRI under private letter rulings

¹⁰ All of the statute anticipate that third-party standard-setters will make available standards "for defining, reporting, and assessing" the social and environmental performance of aspiring benefit corporations. E.G. Vermont, New Jersey, and Hawaii require benefit corporations to name a benefit director and permit them to appoint a benefit officer. The benefit director must include in the annual report her own statement assessing whether the benefit corporation and its directors have acted in compliance with the benefit purposes of the corporation during the relevant period. It is not yet clear whether the benefit corporation certification market will attract rating agencies, governance advisory firms, or existing product or entity certifiers. In any case, meeting the statutes' limited transparency and independence requirements will not be a significant barrier.

¹¹ The report documents performance in achieving their public benefit purposes

¹² Not as burdensome as they are for the Benefit Corporation

¹³ Especially inspect on whether two entities are one (separate management) in granting Tax-exempt.

¹⁴ Ibid.

¹⁵ These requirements (intentionally) meet the IRS's regulations for receiving program related investments (PRIs), giving L3Cs much greater access to PRIs from U.S. private foundations. U.S. private foundations are allowed to invest in for-profit entities that further the foundation's mission; that investment is called a PRI or program-related investment. But, it's hard for them to invest via PRIs in normal for-profit businesses because the due diligence required is onerous.

Summary of Models of Social Enterprise in United States

Main features:

- **Income generating approach / stronger commercial focus**

- Allow PRIs
- Allow favouring profit earning but still being committed to specific social mission (limited degree of commitment to social mission such as Flexible Purpose Corporation)

- **Branding approach & third party standard:**

- Recognition as B-corp by B-Lab

- **Tax incentive approach:**

Not-for-profit entity with a for-profit subsidiary and not-for-profit entity with a related (or sister) for-profit company are allowed to receive tax-exempt and tax deductible donation under separate managements.

- **State recognition**

Useful link

Social Enterprise and Hybrid Corporate Forms: Emerging State Regulatory Perspectives and Responses by Columbia Law School

<http://web.law.columbia.edu/attorneys-general/policy-areas/charities-law-project/resources/webinars/social-enterprise-and-hybrid-corporate-forms-emerging-state-regulatory-perspectives-and-responses> <http://web.law.columbia.edu/attorneys-general/policy-areas/charities-law-project/resources/webinars/social-enterprise-and-hybrid-corporate-forms-emerging-state-regulatory-perspectives-and-responses>

Summary of Models of Social Enterprise in New Zealand

	Charities		Limited liability companies	Co-operative companies	Industrial and provident societies	Maori land trusts
	Charitable trust boards	Incorporated societies				
Purpose	Social purpose is clearly entrenched in the organisation's objectives. ¹	Non-financial benefit of their members and in the pursuit of activities outlined in their constitution or set of rules	A social purpose is uncommon but can be specified in the constitution.	Undertake "co-operative activity". ²	<ul style="list-style-type: none"> ▪ bona fide co-operative society which undertakes business in order to make profits³ ▪ Improve the conditions of living or the social wellbeing of members of the working classes or be for community benefit. 	<ul style="list-style-type: none"> ▪ It seeks to keep lands in the hands of owners, and to occupy, develop and use the land for whānau, hapū and future generations. ▪ Social mission depended on members/shareholder of the organization
Establishment requirement	Trusts and societies that have charitable purposes allowed to incorporate as charitable trust boards	Must have a minimum of 15 members.	adopt a constitution that makes it clear that profit maximization is to be balanced by "social good" objectives. ⁴	incorporate to undertake "co-operative activity" ⁵	Registered under the Industrial and Provident Societies Act 1908	Five trust to owners of Māori land under Māori Act 1993/Māori Land Act 1993
Clear branding	Yes understood to community-minded and are known to avoid pecuniary profit to individuals	Yes clearly recognised as being focused on social purposes.	<ul style="list-style-type: none"> ▪ No recognised as being focused on social purposes ▪ Need marketing strategies to promote their mixed purpose and convince customers that the profit motive is not the leading goal.⁶ 	Depends on companies	300 societies are currently registered ⁷	Social service and Maori economy integrate. ⁸

¹Charitable purposes include the relief of poverty, the advancement of education, the advancement of religion or other purposes beneficial to the public.

² This activity includes supplying the shareholders of the company with goods or services, or processing/marketing goods or services provided by its shareholders. New Zealand has not defined whether compromising the benefit of members and employees are recognized to be a mission of social enterprise. (similar to Flexible Purpose Corporation)

³ under the Industrial and Provident Societies Act 1908

⁴ The shareholders of a social enterprise may also enter into a shareholders' agreement that outlines social /environmental objective and specifies how the shareholders intend to act.

⁵ Companies can incorporate to undertake "co-operative activity" under the Co-operative Companies Act 1996. At least 60% of its shareholder must be transacting shareholder to supply or purchase goods or services from the co-operative company.

⁶ Social enterprises set up as limited liability companies may face credibility issues with customers or funders who are unsure that social motives are really at the heart of the organisation.

⁷ <http://www.business.govt.nz/companies/learn-about/other-entities/industrial-and-provident-societies>

Summary of Models of Social Enterprise in New Zealand

Tax exempt	Yes	Yes	No	Depends on companies	Yes ⁹	Yes on charitable purpose of the trust. ¹⁰
Grant	Yes	Yes	No	Yes		Yes
Attract investment	No	No	Yes	Yes	Depends on societies	NIL ¹¹
Profit applied to the social mission	Yes ¹²	Yes ¹³	Maybe depend on the constitution or agreement of the company	Yes ¹⁴	The primary purpose not for the profit of its members.	Māori enterprises are themselves important capital providers to Māori entrepreneurs and social services providers.
Reporting and compliance costs /Regulator	<ul style="list-style-type: none"> ▪ Boards must advise the Registrar of Incorporated Societies of any rule changes but not annual financial statements ▪ Report to the Department of Internal Affairs.¹⁵ 	Annual financial statements to the Registrar of Incorporated Societies ¹⁶	Reports for shareholders and under law. ¹⁷	Annual report to Registrar Other reports by company law ¹⁸	Members will not be personally liable for the debts, contracts or other obligations of the society	Trust reports and financial accounts to Maori Land Court
Liability shield	Yes	Yes ¹⁹	No	No	Yes	

⁸ Maori economic objectives tend to be underpinned by social objectives

⁹ **Under** charitable status as IPS Community Benefit Societies

¹⁰ <http://www.ird.govt.nz/maori-organisations/accounting/tax-exemptions/> And Only 436 Māori trusts and incorporations that had Māori Authority tax status. 300 Māori organisations with Māori Authority tax status were not assessed

¹¹ Investments must be made in terms of the trust order and comply with Trustee Act 1956 and its amendment of 1988

¹² A charitable trust board may decide to operate its business through a separate trading arm, or purchase an existing business. The profit would return to not-for-profit arm and passed on to other charities when winding up.

¹³ Business can be carried out by the incorporated society itself, or a separate trading arm may be established, to return profits to the social/environmental mission. Any surplus assets must be passed on to other not-for-profit organisations when winding-up.

¹⁴ The organisation is run for the mutual benefit of its shareholders / members

¹⁵ Annual returns and financial statements to the Department of Internal Affairs.

¹⁶ Annual financial statements to the Registrar of Incorporated Societies and advise any rule changes (initial application is \$102.22; filing an annual financial statement is free);

¹⁷ Annual reports for shareholders (including financial statements) and file annual returns with the Companies Office confirming contact and shareholding details (name reservation application is \$10.22; company incorporation application is \$150; amalgamations are \$306.67; annual returns are \$45);

¹⁸ The Registrar for industrial and provident societies requires annual returns (initial application is free; filing annual financial statement is free); and co-operative companies have the same reporting as other companies (name reservation application is \$10.22; company incorporation application is \$150; annual returns are \$45).

¹⁹ provided the decision-makers act prudently, legally, within their objects, and not for personal gain

Summary of Models of Social Enterprise in New Zealand

Tax and grants:

Entities with charitable nature can receive tax exemptions and grants.

Not-for-profit organisations with charitable, benevolent, philanthropic or cultural purposes can apply for donee status from the Inland Revenue Department and receive tax concession.²⁰

For other social enterprises, the attraction of tax exemption is outweighed by the constraints of having to meet the definition of charitable purpose and not being able to attract investors by paying a return.

Marketing/ branding:

Most social enterprises work in education and training (43 per cent), social assistance services (22 per cent), recreation and sport (17 per cent) and arts and heritage (15 per cent).²¹

Charitable trusts make up 53 per cent of organizations in the sector; **37 per cent are incorporated societies**, and 7 per cent are limited liability companies.

In addition to income from sales, government contracts provide significant income for 40 per cent of the organisations. Grants and donations are also important.²²

²⁰ Where approved, this enables individuals and companies that donate to these organisations to claim a 33 per cent rebate on their income tax

²¹ "Mapping social enterprises in New Zealand Results of a 2012 survey" with responses from 421 organisations

²² Mapping social enterprises in New Zealand Results of a 2012 survey by Department of Internal Affairs in New Zealand