

# Briefing Note: Sports Clubs & Social Enterprises – Legal Structures

## An Introduction to the Briefing Note

There are a variety of different legal structures available to sports clubs and social enterprises and it can often be a daunting task for those responsible for making key decisions to decide upon the most appropriate structure for the entity to adopt.

This briefing note provides an introduction as to the types of legal structures available to sports clubs and social enterprises. We routinely assist our clients by advising on appropriate legal structures based upon their specific circumstances. We also deal with all aspects of the formation process for each model, including the drafting of necessary application forms and governing documents and communicating with Companies House, the Charity Commission, and other regulators when required.

Please note that Briefing Notes are not maintained, and reflect the law as at the date of publication or update. It should not be relied upon as legal advice and you should contact us for advice on your specific circumstances.

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## Significance of Legal Structure and Key Factors to Consider

Why is it so important for the members and the management team of sports clubs and social enterprises to focus on their legal structure? Whilst there are many reasons, sports clubs and social enterprises should be particularly mindful of the following: -

- Which structure is the most appropriate to suit their needs, vision and purpose?
- Will the structure protect their mission, but also allow key decisions to be made and allow the members or management team to take advantage of business opportunities as and when they arise?

**Briefing Note**  
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**Summary:**

A short guide to the legal structures available to sports and social enterprises.

**For detailed advice on corporate/commercial contracts please contact:**

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- Will the members or management team be personally liable in the event of a claim being made against the sports club or social enterprise or will any such liability be limited?
- Does the legal structure allow it to run efficiently and promote good governance?
- What impact does the legal structure have upon how third parties and the public view the sports club or social enterprise?
- Does the structure allow the sports club or social enterprise to access funding?
- What are the tax implications on the sports club or social enterprise, based upon the structure in place or that to be adopted?

### Possible Legal Structures for Sports Clubs and Social Enterprises

Typically, a sports club or a social enterprise will either be an incorporated or an unincorporated organisation. When adopting an incorporated structure, there are a number of different options available. There are advantages and disadvantages of each legal structure and we have set these out in the guidance table below.

Legal Structure	Incorporated or Unincorporated	Summary of Legal Structure	Advantages	Disadvantages
Unincorporated Association	Unincorporated	<p>A more informal structure, where the members or the management committee will have unlimited personal liability.</p> <p>There are relatively few regulatory requirements.</p> <p>Administrative requirements are less burdensome.</p> <p>Unincorporated associations may be more suited to a smaller sports club or social enterprise, that doesn't own any property and doesn't have any employees.</p>	<p>Generally, involve a more light-touch regulatory approach and less administration work required.</p> <p>Possible tax advantages compared to more regulated legal structures.</p> <p>The rules of the unincorporated association can be changed easily.</p>	<p>The members or the management committee will be personally liable for any debts and liabilities that exceed the value of the assets of the sports club or social enterprise.</p> <p>An unincorporated association does not have a legal identity in its own right.</p> <p>The unincorporated association cannot enter into contracts as it has no legal identity of its own. The members or management committee will need to enter into any contracts personally.</p>

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Legal Structure	Incorporated or Unincorporated	Summary of Legal Structure	Advantages	Disadvantages
Company Limited by Shares	Incorporated	<p>The company will have its own legal identity and it will be owned by the shareholders.</p> <p>More suited to sports clubs and social enterprises that intend to make a profit or those that are seeking to pay dividends to shareholders or investors.</p>	<p>The members or the management committee will have little or no personal liability, save that the directors will have enhanced responsibilities and a duty of care to act in the best interests of the company.</p> <p>The sports club or social enterprise can enter into contracts in its own name as opposed to individuals having to do so in their personal names.</p>	Doesn't benefit from any reliefs and advantages that are specific to certain incorporated entities.
Company Limited by Guarantee	Incorporated	<p>The company will have its own legal identity and it will be owned by its members.</p> <p>More suited to a sports club or social enterprise that is looking to return all profits to the operation of the entity and where no dividends are to be paid to members.</p>	<p>The members' personal liability will be limited to a small amount (often £1) if the company falls into financial difficulty.</p> <p>The sports club or social enterprise can enter into contracts in its own name as opposed to individuals having to do so in their personal names.</p>	<p>Those in control of the company will need to ensure that it complies with all administrative requirements and filing, prescribed by Companies House and company law.</p> <p>The Articles of Association will need to be considered and drafted carefully, so as to ensure that they suit the company's needs and requirements and protects the assets and members of the entity.</p>

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Charitable Incorporated Organisation (CIO)	Incorporated	<p>A CIO is a form of charity, as opposed to a company.</p> <p>As opposed to being registered with Companies House, the CIO is registered with the Charity Commission.</p> <p>As opposed to being run by directors, the CIO will be run by trustees.</p> <p>CIO's suit those clubs or entities that want to be set up as a charity, as opposed to a more traditional company.</p>	<p>A CIO need only be registered with the Charity Commission and can benefit from tax advantages of being a charity.</p> <p>The CIO will be incorporated and therefore can enter into contracts in its own right.</p> <p>The personal liability of trustees will also be limited.</p>	<p>No dividends will be paid to the company's members.</p> <p>Being registered as a charity imposes a degree of restrictions upon the sports club or social enterprises activities.</p> <p>Given a CIO is registered with the Charity Commission, a CIO model involves various administrative requirements.</p> <p>Trustees of the CIO will have certain responsibilities and obligations and could be personally liable in certain circumstances.</p>
Community Interest Company (CIC)	Incorporated	<p>Can either be limited by shares or by guarantee and must be registered with the CIC Regulator.</p> <p>The CIC must be run for the benefit of a community and must submit a community interest statement. There are also restrictions on the payment of dividends and upon the transfer of assets.</p>	<p>A CIC can provide a sports club or social enterprise with a positive public image.</p> <p>The dividends cap and asset lock provisions help the sports club and/or social enterprise to have a clear focus on its purpose of benefitting the community.</p>	<p>Formation of a CIC is often slower than that of a company limited by shares or guarantee due to the involvement of the CIC Regulator.</p> <p>Increased administrative requirements over and above that of a company limited by shares and by guarantee.</p> <p>A CIC often isn't able to benefit from tax breaks that other legal structures can.</p>

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Community Amateur Sports Club (CASC)	An unincorporated association or a company limited by guarantee or limited by shares.	<p>CASC status is different in the sense that, in its own right, it is not a legal structure.</p> <p>A CASC is a status and strict requirements must be met for a sports clubs to benefit from the scheme including not exceeding income limits and being available to a whole community.</p>	<p>If registration for CASC status is approved, there are various corporation tax exemptions that the sports club can benefit from (provided all incomes and gains are used for certain qualifying conditions).</p> <p>A CASC registered sports club can also benefit from Gift Aid and charitable business rate relief.</p>	<p>An extensive application must be submitted to HMRC before a sports club can be registered with CASC status.</p> <p>Once registered as a CASC, a sports club cannot change its structure.</p> <p>A CASC model won't suit every sports club as all members must have the same opportunity to use the sports club's facilities.</p> <p>The CASC must comply with charitable law (on top of any company law requirements – if the sports club or social enterprise is set up as a company).</p>

### Summary

As outlined above, there are various advantages and disadvantages to each legal structure and it is therefore important for those running sports clubs and social enterprises to carefully consider and select the correct structure to suit their particular needs and circumstances.

It is not only important to consider the right legal model on formation, but those with day-to-day responsibility of running the entity should also be mindful that a different legal structure may become more suitable as the club or enterprise develops over time.

We would be happy to discuss the legal structures open to sports clubs and social enterprises in detail and we would also be able to assist with the formation of any structure referred to above.

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If you would like to know more about this topic or our other legal services, please contact Mark Williams  
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