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'Charity companies' may seek new legal status breaks for social enterprises

Not printed - Amanda Cropp

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Girl Guide biscuit sales are an example of a social enterprise that uses its commercial profits for community good.

Social enterprises that turn a profit to do good are being heralded as the next big thing at an international conference in Christchurch, but they lack proper legal status in New Zealand.

The Social Enterprise World Forum has attracted 1600 delegates and speaker lawyer Steven Moe, who has written a legal handbook for social enterprises, said they need legal recognition of their special status.

Social enterprises are generally regarded as business ventures that trade to fulfil social or environmental goals, rather than to maximise profits to shareholders.

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Christchurch lawyer Steven Moe says social enterprises able to generate enough income no longer have to rely on the uncertainty of Government funding to do good.

Moe said in New Zealand, they had the option of operating as a charity or a limited liability company, when a mix of the two would probably work better.

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A company was not eligible for public sector funding "and if they become a charity it's almost impossible to get investors to put money in because there cannot be any private benefit.

"The problem I see is that there's amazing people with good ideas who are 35 or 40 years old and they feel they have to become a martyr on the altar of charity because they are not allowed to make any profit or money."

Moe would like to see a legal structure that required social enterprises to clearly state their purpose, report on their social benefit activities, with a cap on the level of dividends to investors.

Making the charitable portion of a business exempt from tax would also encourage more social enterprises.

"If there was a structure that let you do everything a company does, and has the best bits of what a charity does, that would potentially be a world leader," Moe said.

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He believed it was important to have a way of recognising true social enterprises – possibly by way of an accreditation system – so big businesses did not abuse the term as a branding and marketing exercise in the same way there had been "green washing" over environmental issues.

"I'm worried that the term social enterprise gets used as a way to sell more stuff."

Tricia Fitzgerald chairs Social Enterprise Auckland and studied the sector for her PhD.

She said New Zealand was well behind places like the UK, where there are an estimated 80,000 social enterprises that contribute \$50 billion to the economy, and sorting out legal issues here might make it easier for such ventures get bank finance, rather than relying heavily on "sweat equity" they were unable to repay.

The Akina Foundation supports social enterprises and general manager Louise Aitken said they had worked with more than 700 over the past year, "but we believe there's 2000 to 2500 in New Zealand".

In July, the Government announced \$5.5 million in funding to research and develop social enterprises and Aitken said promotion of the sector would help consumers identify organisations they may want to buy from, along the lines of the UK's 'Buy Social' brand.

She said New Zealand was in a position to take the best of the social enterprise policies of countries where they were well established and to learn from their mistakes.

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