



What is a Community Interest Company (CIC)?

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A CIC is a new type of company for people who want to be involved in a business that benefits the community (the population as a whole or a specific group), rather than just the owners, managers or employees. This is achieved by a "community interest test" and "asset lock", which ensure that the CIC is established for community purposes and the assets and profits are dedicated to these purposes. "Asset Lock" is a general term used to cover all the provisions designed to ensure that the assets of the CIC (including any profits or other surpluses generated by its activities) are used for the benefit of the community.

A CIC can be a public company limited by shares, a private company limited by shares or a company limited by guarantee, with special additional features and will have the same benefits and obligations as other companies of its type, including registration at Companies House. CICs provide a flexible alternative to charities and industrial and provident societies.

What can a CIC do?

Providing a CIC benefits the community and does not exist for political aims, there are few restrictions on its activities. For example, a CIC may:

- run trading enterprises to support deprived communities here and abroad;
- run a business (e.g. a retail or manufacturing operation) as a trading arm to generate profits to support activities which directly benefit the community;
- benefit the community more directly, such as by running day centres, or providing transport or other services in the community.

How is a CIC set up?

A community interest company (CIC) does not have to first be registered with Companies House. To be eligible to become a CIC you will need to complete the appropriate forms, these include Companies House related forms such as the IN01 and forms issued by the Office of the Regulator of Community Interest Companies. Companies House will determine whether their forms have been completed correctly and the Office of the Regulator of Community Interest Companies will determine whether you meet the Community Interest Test. This means that the Regulator must be satisfied that the activities of that enterprise or business will be carried on for the benefit of the community. To enable the Regulator to make this decision, all applicants for CIC status must make a Community Interest Statement. In addition, the constitution (memorandum and articles of association) of a CIC must comply with the relevant legislation. An existing company may be converted to a CIC by changing its name and making the necessary changes to its articles and memorandum.

Every CIC must:

- meet the Community Interest Test;
- file and submit an annual CIC report with its accounts;
- keep the community in touch with its activities;
- only use its assets and profits for the community specified (or pass them to another body with similar features), known as the asset lock;
- be registered at Companies House in the same way as a normal company with the same incorporation documents but supplemented by a Community Interest Statement.



What is the Regulator's role?

The Regulator, an independent public official, will decide whether a company is eligible to be formed as a CIC and will oversee its continuing conduct and activities. The Regulator has investigation and enforcement powers that can be used if a CIC gives cause for concern.

The Regulator's mandate is to provide a light touch regulatory regime that maintains public confidence in the CIC brand.

Is the CIC form suitable for your organisation?

Although the CIC form is very flexible, it will not be suitable for all social enterprises. Before deciding that a CIC is the right form for your enterprise, you should consider the advantages and disadvantages (for you) of different business and legal forms - for example, in some cases, a charity may prove more tax efficient.

The same body cannot be both a CIC and a charity, but a charity may own a CIC to run trading activities. If in doubt, seek early professional advice. The Regulator's Office may be able to provide general information but cannot advise on specific cases.