

**COMMUNITY INTEREST
COMPANIES**

The Key Facts

February 2008



What is a CIC and what can it be used for?

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 – a social enterprise.

The special features of CICs make them particularly suitable for this purpose. A CIC can be a public company limited by shares, a private company limited by shares or a company limited by guarantee, and will have the same benefits and obligations as other companies of its type, including registration at Companies House.

CICs are a new legal form providing 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?

To be eligible to be a CIC, an enterprise or business must pass 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 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?

Social enterprises can and do take many forms: 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.

Issued by the Regulator of Community Interest Companies.

This short guide is not a statement of the law.

For further information, please refer to the Regulator's website:
www.cicregulator.gov.uk

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