



**COMMUNITY
INTEREST
COMPANIES**

Frequently Asked Question

Issued by the Regulator of Community Interest
Companies

October 2009

Contents	Page
General	4
What is a community interest company (CIC)?	4
What is a Social Enterprise?	4
Why were community interest companies needed?	4
What does a community interest company (CIC) do?	4
What was wrong with the existing legal forms?	4
Charities and community interest companies	4
Can a charity be a community interest company?	4
Can a company be both a community interest company and a charity?	5
What are the differences between community interest companies and charities?	5
Can a charity have a subsidiary which is a community interest company?	5
Why be a community interest company rather than a charity?	5
Could a CIC convert to charitable status and vice versa?	5
Can a Northern Ireland charitable company convert to a CIC?	6
What is the effect of converting a charity to a community interest company?	6
What happens to the pre-existing corporate property of the charity on conversion?	6
Can a CIC convert to a Northern Ireland charitable company?	7
Can an unincorporated charity, or charitable trust, convert to a CIC?	7
Industrial & Provident SocietY (I&PS) & community interest companies	7
Will community interest companies replace Industrial and Provident Societies?	7
Can an Industrial and Provident Society convert to a CIC?	7
Can a CIC convert to an Industrial and Provident Society?	8
Community Interest Test.....	8
What is the 'community interest test' and what is it meant to achieve?	8
Can political and campaigning organisations be community interest companies?	8
What type of organisations would satisfy the community interest test?	9
Asset-Lock	9
What is the asset-lock?	9
Financial considerations	10
Do community interest companies have any special tax status?	10
Can community interest companies issue shares?	10
How are community interest companies financed?	10
Can a community interest company apply to the Inland Revenue for tax reliefs?	10
Equity Finance	10
How does the equity finance work?	10
Why is the Government not providing for real equity?	11
How does the equity finance proposal fit with the lock on assets?	11
How do CICs relate to Community Development Finance Institutions?	11
Regulation	11
How do we know that CICs are acting in the public interest?	11
Who is the Regulator and how was he or she selected?	11
What teeth does the Regulator have?	12
Scotland and Northern Ireland	12
Do the CIC Regulations apply to Scotland and Northern Ireland?	12
Director's remuneration	12
Are there be limitations on the pay of community interest company directors?	12
Stakeholder and community interest company governance.....	12
Are community interest companies be obliged to involve their stakeholders?	12
Who actually controls the community interest company?	13
What are the tax rules if I am a shareholder?	13
Is there a specific organisational structure for community interest companies?	13

Registering a CIC	13
Who decides whether an organisation can be a community interest company?	13
Can anyone form a community interest company, what are the restrictions?	13
What legal form can a community interest company take?	13
Can existing companies convert to a community interest company?	14
What are the pros and cons of a not for profit limited by guarantee company?	14
Names for community interest companies	14
Are community interest company names different from other companies?	14
Fees	14
Are there any additional fees for community interest companies?	14
Incorporation	15
What is the procedure for incorporating as a community interest company?	15
What is a community interest statement?	15
What is an excluded company declaration?	16
Can I register a community interest company electronically?	16
Can I incorporate a community interest company in Welsh?	16
How long does it take to incorporate a community interest company?	16
Documents delivered by community interest companies	17
Are extra clauses required in the articles of association?	17
Where can I find templates of the articles of association?	17
How can a community interest company change its objects?	17
What is the community interest test?	17
Are any additional documents required for community interest companies?	17
What needs to be included in the annual community interest company report?	17
Where can I find examples of the annual community interest company report?	17
Conversion to a community interest company	17
Can a private limited company convert to a community interest company?.....	17
How do I convert an existing company to a community interest company?	18
Ceasing to be a CIC	18
How can a company cease being a community interest company?	18
What happens to the assets if a company ceases to be a CIC?	18

GENERAL

What is a community interest company (CIC)?

A CIC is a type of company, designed in particular for social enterprises that want to use their profits and assets for the public good. CICs are easy to set up, with all the flexibility and certainty of the company form, but with some special features to ensure they are working for the benefit of the community.

What is a Social Enterprise?

"A social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners.

Social enterprises tackle a wide range of social and environmental issues and operate in all parts of the economy. By using business solutions to achieve public good, the Government believes that social enterprises have a distinct and valuable role to play in helping create a strong, sustainable and socially inclusive economy.

Social enterprises are diverse. They include local community enterprises, social firms, mutual organisations such as co-operatives, and large-scale organisations operating nationally or internationally. There is no single legal model for social enterprise. They include companies limited by guarantee, industrial and provident societies, and companies limited by shares; some organisations are unincorporated and others are registered charities." from the BERR (now BIS) publication '[Social Enterprise - a strategy for success](#)'

Why were community interest companies needed?

Social enterprises are an exciting and fast-growing sector. Yet some of the legal forms were originally designed for completely different types of organisation. The Government has supported the sector by creating a modern and appropriate legal vehicle and to help raise their profile.

What does a community interest company (CIC) do?

CICs are organisations pursuing social objectives, such as environmental improvement, community development and inclusion, fair trade, support services etc. Social enterprises are playing an increasing role in regenerating disadvantaged areas, empowering local communities and delivering new, innovative services at local level, and the growing range of CIC's reflect this.

What was wrong with the existing legal forms?

Companies that did not have charitable status found it difficult to ensure that their assets were dedicated to public benefit. There was no simple, clear way of locking assets to a public benefit purpose other than applying for charitable status. The Community Interest Company meets the need for a transparent, flexible model, clearly defined and easily recognised.

CHARITIES AND COMMUNITY INTEREST COMPANIES

Can a charity be a community interest company?

A charitable company registered in England, Wales or Scotland can convert to a CIC with the consent of the Charity Commissioners, or the Scottish Charity Regulator. In doing so, it will lose its charitable status including tax advantages. A charity may however own a CIC in which case the CIC would be permitted to pass assets to the charity.

Charitable companies in Northern Ireland will not be able to convert to a CIC until the necessary legislation comes into force.

Can a company be both a community interest company and a charity?

No, an organisation must choose whether it wishes to incorporate as a CIC or a charity. CICs are more lightly regulated than charities but do not have the benefit of charitable status, even if their objects are entirely charitable in nature.

What are the differences between community interest companies and charities?

- Charities must be established exclusively for charitable purposes. CICs can be established for any lawful purpose, as long as their activities are carried on for the benefit of the community
- Charities have certain tax advantages that CICs do not have.
- In return for those advantages, charities are subject to more onerous regulation than CICs
- The CIC legal form was specifically designed to provide a purpose-built legal framework and a “brand” identity for social enterprises that want to adopt the limited company form.
- CICs are free to operate more “commercially” than charities (e.g. CICs limited by shares can pay dividends to individual shareholders, subject to a cap), but stakeholders in CICs will still have the assurance of community benefit provided by the asset lock and transparency about their activities ability through the community interest report.

Can a charity have a subsidiary which is a community interest company?

Yes, and the CIC would be permitted to pass its assets to the charity. This for example enables a CIC to run a charity shop and pass all the profits to the charity that owns it.

Why be a community interest company rather than a charity?

There is no doubt that charitable status is exactly right for many who wish to further charitable objectives and it is likely that most organisations operating for the public benefit (and who are eligible for charity status) will choose to be charities, not least for the fiscal advantages.

The sort of people who want to set up a CIC are typically entrepreneurs who want to do good in a form other than charity. This may be because:

- They are looking to work for community benefit with the relative freedom of the non-charitable company form to identify and adapt to circumstances, but with a clear assurance of not-for-profit distribution status.
- Members of the board of a charity may only be paid where the constitution contains such a power and it can be considered to be in the best interests of the charity or where they may provide a service to the charity. It means that, in general, the founder of a charity who wishes to be paid cannot be on the board and must give up strategic control of the organisation to a volunteer board, which is often unacceptable.
- The definition of community interest that applies to CICs is wider than the public interest test for charity.
- CICs are specifically identified with social enterprise. Some organisations may feel that consequently this is a more suitable than charitable status.

Could a CIC convert to charitable status and vice versa?

It is possible but there is not much demand.

A CIC that became a charity in England, Wales or Scotland or an exempt charity in Northern Ireland would no longer be subject to the community interest test and the Regulator. Instead it

would be subject to the more restrictive provisions for charities and the Charity Commission, or the Scottish Charities Regulator, or the Commissioners of Her Majesty's Revenue and Customs (for Northern Ireland). A CIC that wishes to convert to a charitable company will, of course, have to have exclusively charitable purposes.

A charity in England, Wales or Scotland that wishes to convert to CIC status would need the prior written consent of the Charity Commission, or the Scottish Charity Regulator, as appropriate; it would need to satisfy the Regulator that it was working in the community interest; and it would be subject to the same sort of controls as apply at present when a charitable company seeks to use the powers in the Companies Act 2006 to convert to a non-charitable company (see the Charity Commission's website www.charity-commission.gov.uk). On conversion it would lose its tax breaks.

In addition, Scottish charitable companies will be subject to the constraints of Scottish charity law and Northern Ireland exempt charities to [Northern Ireland charity law](#).

Can a Northern Ireland charitable company convert to a CIC?

Whereas the Act provides for a charitable company registered in England, Wales and Scotland to convert to a CIC, (see Chapter 4.3 of the Regulator's guidance) it provides no similar provision in respect of a Northern Ireland charitable company. It is expected that regulations will be made in the future enabling the conversion of Northern Ireland charitable companies to CIC status.

What is the effect of converting a charity to a community interest company?

The conversion process will not interrupt the corporate personality of the company concerned. The body throughout will remain subject to company law but after conversion will cease to be subject to charity law and regulation but become subject to the CIC regulatory regime.

The company by virtue of the issue of the new certificate of incorporation by the Registrar of Companies, on the authorisation of the Regulator, becomes a community interest company, and the changes in the company's name and articles take effect.

A CIC cannot be a charity once the conversion takes effect and the company will be removed from the register of charities. The removal will have effect from the date on which the Registrar of Companies issues the new certificate of incorporation. The directors of the company are required to notify the Charity Commission, or Scottish Charity Regulator, of the constitutional change in advance of the conversion (see Charity Act 1993 s.3(7)(b)).

Converting a charitable company to a CIC brings new constraints and obligations and a change in the regulatory regime. You are recommended to consult the Charity Commission and/or to take professional legal or accountancy advice on whether a CIC is the best way to run your enterprise before proceeding with the conversion of your charitable company. Also, please read Chapter 6 of the Regulator's guidance regarding the asset lock and Chapter 8 regarding continuing obligations.

What happens to the pre-existing corporate property of the charity on conversion?

On conversion, the existing corporate property of the company, other than its corporate capital, becomes impressed with a trust for charitable purposes in the same way as when a charitable company ceases, by some other form of constitutional change, to be a charity.

The company will, in relation to its corporate property acquired whilst it was a charity, become a trustee for the charitable purposes contemplated by the objects of the company immediately before conversion.

Can a CIC convert to a Northern Ireland charitable company?

A CIC may convert to a Northern Ireland charitable company (see Chapter 10.2. of the guidance on this site).

Can an unincorporated charity, or charitable trust, convert to a CIC?

A community interest company must be a limited company. Therefore an unincorporated charity (including charitable trusts) cannot convert to a community interest company.

However, the community interest company could be appointed as a corporate trustee of the charitable assets belonging to the unincorporated charity (or charitable trust) and could then apply the charitable assets for the furtherance of the charity's objects.

If the community interest company was incorporated, with the same charitable objects as the unincorporated charity or trust, the assets could be transferred to the community interest company for the furtherance of its objects, although the tax concessions from which the charity benefited would be lost.

If the unincorporated charity or trust's assets were depleted to a point where there were no assets remaining it could be wound-up. The option to wind-up would not apply to an unincorporated charity, or trust, that held a permanent endowment i.e. an asset; including land and investments, which must, under a legal document, be held permanently by the unincorporated charity.

INDUSTRIAL & PROVIDENT SOCIETY (I&PS) & COMMUNITY INTEREST COMPANIES

Will community interest companies replace Industrial and Provident Societies?

No. The Industrial & Provident Society tradition is very strong in some sectors and some areas of the country. It can offer democratic accountability through IP&S membership structures. The Government is extremely supportive of the co-operative sector and recognises the importance of the I&PS as a legal form.

Can an Industrial and Provident Society convert to a CIC?

Yes, but it is a two-stage process.

There are no provisions in the Companies (Audit, Investigations and Community Enterprise) Act 2004 (CAICE Act) dealing with an IPS converting to a CIC. It is, therefore, a two-stage process (Chapter 2.2 refers this position).

The IPS converts first to an 'ordinary' company under section 52 of the Industrial and Provident Societies Act 1965 (IPS 1965) and then from the 'ordinary' company to a CIC under section 26(2) of the CAICE Act.

The conversion, from an IPS to an 'ordinary' company, itself (under section 52 of the IPS 1965) does not cause any interruption to the legal personality, neither does converting from a 'normal' company to a CIC. Therefore, a conversion using section 52 of IPS 1965 and section 26(2) of the CAICE Act will mean that the assets are automatically transferred.

Once the IPS has been converted to being an 'ordinary' company, it is subject to the Companies Act 2006 regime, so any charges which require a registration, will need to be registered. Please see the [Companies House guidance booklet GP 3 'Life of a Company – Part 2 Event Driven Requirements'](#)

For further details please refer to 4.4. of the Regulator's guidance or the forms tab on the website: www.cicregulator.gov.uk.

Can a CIC convert to an Industrial and Provident Society?

Yes, under the provisions of section 56 of the Companies (Audit, Investigations and Community Enterprise) Act 2004, a community interest company may convert itself into a permitted industrial and provident society.

A "permitted industrial and provident society" means an industrial and provident society which has a restriction on the use of its assets in accordance with regulation 4 of the Community Benefit Societies (Restriction on Use of Assets) Regulations 2006(1) or regulation 4 of the Community Benefit Societies (Restriction on Use of Assets) Regulations (Northern Ireland) 2006(2).

Please refer to chapter 10 or the guidance or the 'Forms' tab on the website www.cicregulator.gov.uk.

Community Interest Test

What is the 'community interest test' and what is it meant to achieve?

Community interest is the heart of the CIC and the community interest test is what differentiates CICs from other not-for-profit organisations. Demonstrating community interest can be of value to those seeking grant funding or philanthropic investment.

The test is intended to be light touch. To become a CIC, an organisation would need to satisfy the regulator that its purposes could be regarded by a reasonable person as being in the community or wider public interest. It will also be asked to confirm that access to the benefits it provides will not be confined to an unduly restricted group (see chapter 4.5 of the guidance on this site).

Can political and campaigning organisations be community interest companies?

To ensure the Regulator does not become involved in debate about whether particular political purposes are beneficial, political parties cannot become CICs, or set up CIC subsidiaries. Similarly, organisations whose purposes are support for a political party, or political campaigning, should be unable to become a CIC (see Chapter 2.7 of the Regulator's guidance)

The basic principles are:

1. That CICs should not be formed for political purposes, or have engagement in political activities among their main objectives; and
2. That any political activities in which CICs do engage should be closely related to the non-political community benefit activities which they are set up to carry out.

The Community Interest Regulations 2005 provide that for the purposes of the community interest test (see chapter 2.7 & chapter 4) a wide range of political activities are to be regarded as not being carried on for the benefit of the community. If you feel that there is any chance that your activities, or proposed activities, may fall within the prescribed activities you should take

(1) S.I. 2006/264.
(2) S.R. (NI) 2006 No 258.

early professional advice or contact the Office of the Regulator before taking any decisive steps toward forming or becoming a CIC.

This does not mean a CIC cannot work with local politicians in pursuance of its community benefit.

What type of organisations would satisfy the community interest test?

Each application is examined and assessed on its own merits. However, I can advise you that to be eligible to be a CIC, an enterprise/business must pass the "Community Interest Test". This means that the Regulator must be satisfied that a reasonable person might consider that the activities of that enterprise/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 (see forms CIC36 & CIC37), indicating why they believe that they satisfy the test. In addition, the constitution (articles of association) of a CIC must comply with the relevant legislation.

ASSET-LOCK

What is the asset-lock?

The asset-lock is a fundamental feature of CICs. It is important that you understand the concept before setting up a CIC as it has permanent long-term consequences.

“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 transfer of assets must satisfy certain requirements. This means that, subject to the CIC meeting its obligations, its assets must either be retained within the CIC to be used for the community purposes for which it was formed, or, if they are transferred out of the CIC, the transfer must satisfy one of the following requirements:

- it is made for full consideration (i.e. at market value), so that the CIC retains the value of the assets transferred;
- it is made to another asset locked body (a CIC or charity or an IPS bencom, or non-GB based equivalent) which is specified in the CIC's articles of association;
- it is made to another asset locked body with the consent of the Regulator; or
- it is otherwise made for the benefit of the community.

Provision to this effect, as prescribed in the Regulations, must be included in a CIC's articles of association. CICs are permitted to adopt asset-lock rules that impose more stringent requirements, provided they also include these basic provisions.

The asset lock is established in legislation, and prohibits CICs from distributing their assets or profits to their members, except to the extent permitted where CICs issue equity i.e. shares and dividends (see chapter 6.2. of the Regulator's guidance & 'equity finance' in this guidance).

The asset-lock will not prevent CICs from using their assets efficiently in pursuit of community benefit; for instance, they will be able to use assets as collateral for finance. The Regulator is responsible for ensuring that the asset-lock is maintained, and stakeholders who believe that it is being breached may ask the Regulator to take action.

FINANCIAL CONSIDERATIONS

Do community interest companies have any special tax status?

No, CICs do not enjoy any special tax status as such. They are generally be in the same position as any other organisation in obtaining any tax concessions or grants otherwise available, for example due to their type of activity or location. A charity which becomes a CIC will lose its charity tax status. They may be eligible for discretionary rate relief.

Can community interest companies issue shares?

Yes, in order to raise investment, CICs limited by shares have the option of issuing shares that pay a dividend to investors. In order to protect the asset lock, the dividend to private investors is subject to a cap set initially by the Secretary of State (see chapter 6.2 of the Regulator's guidance).

How are community interest companies financed?

Like other social enterprises, CICs find funds from a variety of sources, including grants and donations, loans from high street banks and other institutions.

The Government is supporting finance for social enterprises, through community development finance institutions and the Community Investment Tax Relief. As the concept of social enterprise becomes more widely understood by the finance community, social entrepreneurs should find it easier to explain what they are doing and to get a competitive price for finance (see chapter 7 of the guidance on this site for further detail on "Financing CICs").

Can a community interest company apply to the Inland Revenue for tax reliefs?

Community interest companies do not receive tax breaks from the Inland Revenue by virtue of their legal status (see chapter 7.6 of the Regulator's guidance).

The Government is supporting social enterprises through the tax system. The Community Investment Tax Relief ("CITR") gives tax benefits to investors who back businesses in less advantaged areas through Community Development Finance Institutions (CDFIs).

CITR provides tax relief of 5% per annum to investors who invest in an accredited CDFI, which then in turn lends to or invests in a qualifying profit-distributing enterprise or community project. Accredited CDFIs may invest in qualifying CICs.

CICs are eligible for the same tax reliefs available to other companies. They are subject to corporation tax and VAT.

EQUITY FINANCE

How does the equity finance work?

The legislation allows CICs to issue suitably capped investor shares, while recognising that demand for such shares may initially be limited. The level of demand is influenced by the way in which the cap is set. The Government's intention was that the cap should be set at a level which would allow CICs to access investment, without undermining their focus on community benefit.

The Government set the restriction on distributions and interest in part 6 of the Community Interest Company Regulations 2005, and the CIC Regulator is now responsible for setting the

cap in a way that balances the need to encourage investment with the primacy of community interest. The Regulator will take the views of the social enterprise sector into account in setting the cap (see Chapter 6 of the guidance on this website).

The Cap has three elements:

- The maximum dividend per share limits the amount of dividend that can be paid on any given share. Currently, the limit is 5% above the Bank of England base lending rate.
- The maximum aggregate dividend limits the total dividend declared in terms of the profits available for distribution. Currently, the limit is 35% of the distributable profits.
- The ability to carry forward unused dividend capacity from year to year to a limited extent. Currently the limit is 5 years.

Why is the Government not providing for real equity?

The concept of unrestricted distribution of dividends to shareholders is fundamentally contradictory to the concept of a company which is not-for-profit. This point was confirmed in the technical consultation where most of the respondents who favoured the ability of CICs to issue shares and pay dividends, thought these should be capped in some way to protect the finance of the CIC, meet the statutory requirement for an asset lock and still attract some investors.

Those who want to use unrestricted equity can set up as normal companies. CICs can set up unrestricted subsidiaries e.g. to raise real equity for higher-risk ventures, provided the arrangement with the subsidiary is purely commercial.

How does the equity finance proposal fit with the lock on assets?

We think a balance can be struck between the flexibility needed by CICs to raise finance and the need to provide a meaningful asset lock. Although investors have the possibility of making a modest return, when investing in a CIC limited by shares this is restricted in order to ensure that the main beneficiary of the CIC is the wider community. One of the aims of the CIC proposals is to expand the access to finance available to community organisations, permitting them to offer a reasonable return to investors is key to achieving this.

How do CICs relate to Community Development Finance Institutions?

Funds invested by individuals and corporate bodies in accredited Community Development Finance Institutions (CDFIs) are eligible for Community Investment Tax Relief (CITR) at a rate of 5% per annum of the amount invested and may be claimed in the tax year in which the investment is made and in each of the four subsequent years. The organisations that CDFIs invest in, and lend to, include CICs.

REGULATION

How do we know that CICs are acting in the public interest?

CICs report annually to the independent regulator on how they are delivering for the community and how they are involving their stakeholders in their activities (see chapter 8 of the Regulator's guidance).

Who is the Regulator and how was he or she selected?

The Act establishes the Regulator as an independent statutory office-holder appointed by the Secretary of State. The appointment was subject to an open public recruitment process monitored by the Office of the Commissioner for Public Appointments.

John Hanlon, the first Regulator of Community Interest Companies (CICs) was appointed on 1 April 2005 and his successor Sara Burgess was appointed on 14 September 2007. The Regulator's powers are set out in the Act and Regulations. The Act requires her to discharge her functions in accordance with good regulatory practice.

The Regulator's main duties are (see Chapter 11 of the guidance on this site):

- to consider applications to form a CIC;
- to ensure that a CIC complies with its legal obligations; and
- to take enforcement action where serious infringements occur.

The Regulator also has an important role:

- in the development of CICs as a new company type i.e. the brand; and
- in providing help and guidance to CICs, to those people considering setting up a CIC, and to business professionals advising CICs.

What teeth does the Regulator have?

It is intended that the CIC regulation should be 'light-touch'. The majority of CICs have a similar relationship with the CIC Regulator as companies have with Companies House (i.e. registration followed by annual returns). The very active regulation which is necessary for charities is not required for CICs.

However, the Regulator is able to investigate complaints from stakeholders and has powers to act if it is found that a CIC is not working in the interest of the community or that the profit/asset lock is not being observed. These powers include the ability to change the directors or wind up the company.

SCOTLAND AND NORTHERN IRELAND

Do the CIC Regulations apply to Scotland and Northern Ireland?

The Companies (Audit, Investigations and Company Enterprise) Act 2005 and Community Interest Companies Regulations 2005 apply to England, Wales, Northern Ireland and Scotland. The only difference being that, for the moment, a Northern Ireland charitable company may not become a CIC.

DIRECTOR'S REMUNERATION

Are there be limitations on the pay of community interest company directors?

The decision as to how much an individual director is paid is a matter for each CIC to decide itself. The Government did not wish to hold back the development of the sector by setting artificial limits. Stakeholders can go to the Regulator if they consider remuneration levels are inconsistent with a CIC's community benefit aims. There are some additional reporting requirements on directors' pay (see chapter 9 of the Regulator's guidance).

STAKEHOLDER AND COMMUNITY INTEREST COMPANY GOVERNANCE

Are community interest companies be obliged to involve their stakeholders?

CICs are encouraged to involve their stakeholders as a matter of best practice and are required to report to the Regulator on how they have done so (see chapter 8 of the Regulator's guidance).

Who actually controls the community interest company?

In the same way as a private company or a charity, each CIC is controlled by those individuals who are appointed to its board and by those who become shareholders/members. The precise structure that is put in place is a matter for each CIC to determine and will reflect the particular needs that apply in specific cases.

What are the tax rules if I am a shareholder?

Unfortunately, we are not in a position to advise you with regard to tax queries and would urge you to seek professional advice. You may also wish to consider referring this question to the Inland Revenue who will be able to provide advice on your personal tax position.

Is there a specific organisational structure for community interest companies?

Community interest companies are limited companies subject to general company law, like other companies registered under the Companies Act 2006. A private company limited by shares or guarantee must have one member and any other company must have at least two members. There is no maximum number of members. The members of a company are the subscribers to the company's memorandum (who are deemed to have agreed to become members) and all other persons who have agreed to become members of the company. In a company limited by shares, members purchase shares, with their liability being limited to any amount owing to the company in respect of their shares. In a company limited by guarantee, members agree to be liable to contribute a specified amount in the event of the company being wound up.

Every private company must have at least one director, but a public limited company must have two. A private company is not required to have a company secretary, but a public limited company must have a secretary.

See the Companies House publication, "Company Formation" (<http://www.companies-house.gov.uk/about/gbhtml/gbf1.shtml>).

REGISTERING A CIC

Who decides whether an organisation can be a community interest company?

The CIC Regulator considers whether applications meet the criteria to become a CIC. If satisfied, the Regulator advises the Registrar in Companies House who, providing all the documents are in order, will issue a certificate of incorporation as a CIC (See Chapter 4 of the Regulator's guidance).

Can anyone form a community interest company, what are the restrictions?

Most people or organisations able to form a company can form a CIC. Restrictions on forming a CIC are related more to the purpose of the CIC than to the people or organisation involved. A CIC cannot be formed for the personal gain of a particular person or group of people or to support political activities. A charity may not be a CIC.

What legal form can a community interest company take?

A CIC can choose from one of three company forms:

A private company limited by shares, a private company limited by guarantee or a public limited company

Can existing companies convert to a community interest company?

Yes, all applicants for CIC status must complete a form CIC37, which includes a community Interest statement, and ensure its constitution (articles of association) complies with the relevant legislation. Your articles of association must be altered by special resolution so as to comply with the provisions of Part 3 of the Community Interest Company Regulations 2004 (See Chapter 4 of the guidance and the 'Forms' tab on this site).

What are the pros and cons of a not for profit limited by guarantee company?

The Registrar of Companies is best placed to answer this query.

NAMES FOR COMMUNITY INTEREST COMPANIES

Are community interest company names different from other companies?

A CIC must have a name ending in one of the prescribed designations.

- For public limited companies these are 'community interest public limited company' or 'community interest p.l.c.'
- For other companies 'community interest company' or 'c.i.c.'
- Companies with a registered office in Wales may use the prescribed Welsh alternatives.
 - For public limited companies these are 'cwmni buddiant cymunedol cyhoeddus cyfyngedig' or 'cwmni buddiant cymunedol c.c.c.'
 - For other companies 'cwmni buddiant cymunedol' or 'c.b.c.'
 - These designations must not be used by companies, which are not CICs.

FEES

Are there any additional fees for community interest companies?

Yes, as well as paying the same fees to Companies House as for other companies, there are additional fees to pay to the CICs Regulator. For convenience, Companies House on behalf of the Regulator collects these.

	Registrar's Fee (£)	Regulator's Fee (£)	Total CIC Fee (£)
Incorporation	20	15	35
Conversion	10	15	25
Conversion involving change	20	15	35

of status (Re-registration)			
Change of status (if a CIC)	20	Nil	20
Name Change (if a CIC)	10	Nil	10
Annual Return (paper)	30	Nil	30
Annual Return (electronically)	15	Nil	15
Annual Accounts (and Community Interest Report)	Nil	15	15
Dissolution (Voluntary)	10	Nil	10

INCORPORATION

What is the procedure for incorporating as a community interest company?

A CIC can be registered at Companies House in the same way as a normal company with the same incorporation documents. There are however additional incorporation documents for CICs – a CIC36, which includes a community interest statement and a declaration that the company will not be an excluded company (see the “Forms” section of the website and Chapter 4 of the guidance on this site).

What is a community interest statement?

The Form CIC36 (& Form CIC37 to convert an existing company to a CIC) contains the community interest statement. The purpose of the community interest statement is to confirm that the company will provide benefit to the community. It does this by describing its intended activities who they will help and how.

The community interest statement is an important element in the Regulator’s consideration of the company’s eligibility for CIC status (see Chapter 5.1 of the Regulator’s guidance) particularly with regard to what is considered as best practice with regard to setting out the objects and proposed activities of the company. Once delivered and registered the community interest statement cannot be changed unless the company changes its objects, in which case it would need to deliver to the Registrar of Companies a new community interest statement (see Chapter 5 of the guidance on this site).

The form CIC36 contains explanatory notes, which you should read carefully before completing the form. Each person who will be a first director of the company must sign this form. The form contains the following:

- A declaration that the company will not be: A political party; a political campaigning organisation; or a subsidiary of a political party or political campaigning organisation (see Chapter 2.8 of the guidance on this site).

- A declaration that the company will pursue activities for the benefit of the community, or section of the community.
- A description of the community or section of the community that the company's activities will benefit.
- A description of the company's activities.
- A description of how the activities benefit or will benefit the community.
- A description of how any surpluses will be used.

The FORM CIC37 contains an extra declaration either that the company is not a charity, or if the company is a charity, that the Charity Commission have consented to the change of name of the company

The application form and an example of a completed form CIC36 can be found at <http://www.cicregulator.gov.uk/forms/formingaCIC.shtml>

The application form and an example of a completed form CIC37 can be found at <http://www.cicregulator.gov.uk/forms/convertingToCIC.shtml>

What is an excluded company declaration?

This statement is included in the forms CIC36 & CIC37 (see chapter4 of the Regulator's guidance).

The declaration, which must be signed by all the directors (or intended directors) is required to confirm that the company will not be an excluded company i.e. will not be a political party or pressure group or controlled by a political party or pressure group.

Can I register a community interest company electronically?

The Registrar of Companies cannot incorporate a company as a CIC until the Regulator of Community Interest Companies decides that it is eligible to be a CIC and notifies the Registrar of this decision.

The premium same day registration service, therefore, is not available for a CIC. However, every effort will be made to keep the registration time to a minimum, subject to the Regulator being satisfied as to the company's eligibility to be a CIC.

However, some of the other documents can be filed by these means, such as, a change in directors details or the annual return to the Registrar of Companies

Can I incorporate a community interest company in Welsh?

Yes, a CIC can be incorporated in Welsh. Welsh versions of Forms IN01 are available on the Companies House website as for all companies. Welsh versions of the forms CIC36 & CIC37 will be translated on request.

How long does it take to incorporate a community interest company?

Although we will endeavour to deal with each application within 5 days of receipt, each case will be unique and the Regulator may need to request more information before reaching a decision. This could result in delays.

DOCUMENTS DELIVERED BY COMMUNITY INTEREST COMPANIES

Are extra clauses required in the articles of association?

Yes, the articles of association must contain a statement that the company is a Community Interest Company. In addition, the articles of association must also comply with the detailed requirements of the CIC Regulations. These are concerned with the preservation of the asset lock and other essential CICs features (see the [“Forms” section](#) of the guidance on the site and [Chapter 4 of the Regulator’s guidance](#)).

Where can I find templates of the articles of association?

Please click on the following link [“model articles of association”](#).

How can a community interest company change its objects?

If a CIC wishes to amend its objects, it may pass a special resolution to change its articles of association and send a copy of it together with a community interest statement, a statement of the steps taken to bring the proposed alteration to the notice of persons affected by the company’s activities and a copy of the articles, as altered to the Registrar for registration.

The Registrar refers the documents to the CIC Regulator for approval of the alteration. If approved, the Registrar will record and register the documents. The Regulator will only approve a change if it meets the community interest test (see chapter 5 of the Regulator’s guidance).

What is the community interest test?

To be eligible to be incorporated as a CIC a company must, in the judgement of the Regulator, satisfy the community interest test. The test is whether a reasonable person might consider that the company's activities are being (or its proposed activities will be) carried on for the benefit of the community. A company must continue to satisfy the test so long as it remains a CIC (See Chapter 4 of the guidance on this website).

Are any additional documents required for community interest companies?

Yes, a CIC will be required to file with its accounts a Form CIC34, an annual community interest report, which will be placed on the public record at Companies House and will be copied to the CIC Regulator (see chapter 8 of the Regulator’s guidance).

What needs to be included in the annual community interest company report?

The report, Form CIC34, will need to include details of the remuneration of the directors, the dividends paid on shares and the interest paid on capped loans. It will also need to explain what the CIC has done to benefit the community and how it has involved its stakeholders in its activities (see chapter 8 of the Regulator’s guidance).

Where can I find examples of the annual community interest company report?

Please click on the following link [“Examples of community interest company reports Form CIC34”](#).

CONVERSION TO A COMMUNITY INTEREST COMPANY

Can a private limited company convert to a community interest company?

An existing company may apply to be converted to a Community Interest Company (CIC).

To be eligible to be a CIC, an enterprise/business must pass the "Community Interest Test". This means that the Regulator must be satisfied that the activities of that enterprise/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 (articles of association) of a CIC must comply with the relevant provisions of the Community Interest Company Regulations 2005.

How do I convert an existing company to a community interest company?

The community interest statement is an important element in the Regulator's consideration of the company's eligibility for CIC status see chapters 4 & 5.1., Particularly with regard to what is considered as best practice with regard to setting out the objects and proposed activities of the company. Once delivered and registered the community interest statement cannot be changed unless the company changes its objects, in which case it would need to deliver to the Registrar of Companies a new community interest statement. Please refer to chapters 4 and 5 of the Regulator's guidance and the forms tab of the website www.cicregulator.gov.uk.

CEASING TO BE A CIC

How can a company cease being a community interest company?

A company can cease to be a CIC only by dissolution (which may follow liquidation) or by conversion to a charity. In both cases the CIC Regulator will need to be satisfied that the proper procedures have been followed and that the necessary resolutions have been passed by the CIC (see chapter 10 of the Regulator's guidance).

What happens to the assets if a company ceases to be a CIC?

To protect the asset lock, the Regulator must be satisfied that any surplus assets (subject to any allowable return to investors) are transferred in a way which ensures that they continue to be retained for community interest or charitable purposes rather than distributed to investors (see chapter 10 of the Regulator's guidance).

This short guide is not a statement of law.

The Office of the Regulator of Community Interest Companies does not offer legal advice on particular cases, or on the legal risks associated with particular proposed actions.

The Regulator provides general guidance on Community Interest Companies and it is for individuals to seek their own professional legal advice on specific matters.

This guidance was updated on 1 October 2009 to comply with the coming into force of:

- all sections of the Companies Act 2006
- the Community Interest Company (Amendment) Regulations 2009
- the Companies Act 2006 (Consequential Amendments etc.) Order 2009

Published by: The Office of the Regulator of Community Interest Companies House, Room 3.68, Companies House, Crown Way, Cardiff CF14 3UZ.

E-mail: cicregulator@companieshouse.gov.uk Telephone: 029 2034 6228