



Department for  
Business, Energy  
& Industrial Strategy

Office of the Regulator of Community  
Interest Companies: Leaflets

Frequently asked questions

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# General

## What is a community interest company?

A community interest company (CIC) is a type of company, designed 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 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 mainly social objectives whose surpluses are reinvested for that purpose in the business or in the community, rather than 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, and 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 enterprises. A social enterprise can operate as a:

- company limited by guarantee or
- company limited by shares or
- industrial and provident society or
- registered charity or an
- unincorporated organisation

## Why were community interest companies needed?

Social enterprises are an exciting and fast-growing sector. The Government supported the sector by creating a modern and appropriate legal vehicle and to help raise their profile.

## What was wrong with the existing legal forms?

Companies that did not have charitable status found it difficult to ensure that their assets were protected for public benefit. There was no simple, clear way for social enterprises to protect their assets other than applying for charitable status. The community interest company form meets this need. The model is transparent, flexible, clearly defined and easily recognised.

## What does a community interest company do?

Community interest companies (CICs) are companies pursuing social objectives, such as:

- community development and inclusion
- environmental improvement
- fair trade
- healthcare
- support services etc

Social enterprises are playing an increasing role in:

- delivering new, innovative services at local level
- empowering local communities and
- regenerating disadvantaged areas.

# 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 community interest company (CIC) with the consent of the Charity Commissioner, 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 allowed to pass assets to the charity.

Charitable companies in Northern Ireland are not 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 register as a community interest company (CIC) or a charity. CICs are more lightly regulated than charities but do not have the benefit of charitable status, even if their activities are entirely charitable in nature.

## What are the differences between community interest companies and charities?

- Charities must be established only for charitable purposes. Community interest companies (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. Which means charities are more heavily regulated than CICs.
- The CIC legal form was 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. For example, CICs limited by shares can pay dividends to shareholders, subject to the 35% dividend 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 annual community interest report.



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

Yes. A charity may set up a CIC subsidiary company. For example, a charity could set-up a CIC subsidiary company to run a charity shop and pass some or all of 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 allows. It must be in the charity's best interests and they may only be paid where they provide a service to the charity. Generally, this means they 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 more suitable than charitable status.

## Can a community interest company convert to charitable company?

Yes, it is possible but there is not much demand.

A community interest company (CIC) that wishes to convert to a charitable company will have to have only charitable purposes.

A CIC that became a charity in England, Wales or Scotland would no longer be subject to the community interest test and the Regulator. In England and Wales it would be subject to the more strict controls of the Charity Commission. In Scotland it would be subject to the Scottish Charities Regulator. See chapter 4 of the guidance for further information.

## **Can a community interest company convert to a Northern Ireland charitable company?**

Yes, it is possible but there is not much demand.

A CIC that became 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 Commissioner of Her Majesty's Revenue and Customs (for Northern Ireland).

See chapter 4 of the guidance for further information.

## **Can a community interest company limited by shares convert to a charitable limited by guarantee?**

No, company law will not allow a company limited by shares to convert to a company limited by guarantee.

## **Can a charity convert to a community interest company?**

Yes, it is possible for charities in England, Wales and Scotland but there is not much demand. A charity in England, Wales or Scotland that wishes to convert to community interest company (CIC) status would need written consent of the Charity Commission, or the Scottish Charity Regulator before completing an application to the Regulator.

A charity wanting to become a CIC would need to satisfy the Regulator that it was working in the community interest. It would also 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. On registration as a CIC, it would lose its tax breaks.

## **Can a Northern Ireland charitable company convert to a community interest company?**

No. It is expected that regulations will be made in the future enabling the conversion of Northern Ireland charitable companies to community interest companies.

## **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. 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 community interest company (CIC) regulatory regime.

Following the consent of the Regulator, the Registrar of Companies issues a new certificate of incorporation confirming that the charity is now a CIC.

Once the conversion takes effect 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.

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 take either:

- professional legal or
- accountancy advice

## **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 an unincorporated charity or charitable trust convert to a community interest company?**

No. A community interest company (CIC) must be a limited company. This means that an unincorporated charity including charitable trusts cannot convert to a CIC.

## **Can a community interest company be appointed a charity trustee of the unincorporated charity or trust's assets?**

Yes. The community interest company (CIC) could be appointed a charity trustee of the trust assets, the charity tax exemptions would not then be lost. The CIC, despite its own non-charitable status would be legally bound to execute the charitable trust in the same way as would any other charity trustee.

## **Can an unincorporated charity or trust transfer its assets to a community interest company?**

No. A charity could not transfer its assets to become part of the corporate property of a community interest company (CIC). This would be a non-charitable application, as the property would become capable of diversion to non-charitable objects (through an alteration of the CICs objects) and the charity regulatory framework would be disapplied. This would be a breach of trust, and could have tax consequences. However, charities can make payments to non-charitable organisations provided that the money is used for a charitable purpose, and the trustees remain responsible for ensuring that it is used for those purposes.

## **What if the unincorporated charity or trust used all its assets and had no assets remaining?**

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. For example, an asset including land and investments, which must, under a legal document, be held permanently by the unincorporated charity.

# Registered societies & community interest companies

## Will community interest companies replace registered societies?

No. The registered society tradition is very strong in some sectors and some areas of the country. It can offer democratic accountability through registered society membership structures. The Government is extremely supportive of the co-operative sector and recognises the importance of the registered society as a legal form.

## Can a registered society convert to a community interest company?

Yes, but this is a two-part process.

This is because there are no provisions in the community interest company (CIC) legislation for dealing with a Registered Society converting to a CIC.

The Registered Society converts first to an ordinary company under section 112 of the Cooperative and Community Benefit Societies Act 2014 and then from the 'ordinary' company to a CIC under section 26(2) of the CAICE Act.

The conversion, from a Registered Society to an 'ordinary' company, itself does not cause any interruption to the legal personality, neither does converting from a 'normal' company to a CIC. The conversion will mean that the assets are automatically transferred.

Once the Registered Society has been converted to being an 'ordinary' company, it is subject to the Companies Act 2006, so any charges which require a registration, will need to be registered.

## Can a community interest company convert to a registered society?

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

A "permitted registered society" means a registered 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 or regulation 4 of the Community Benefit Societies (Restriction on Use of Assets) Regulations (Northern Ireland) 2006.

# Community interest test

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

The community interest test is what differentiates community interest companies (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.

## What type of organisations would satisfy the community interest test?

Each application is examined on its own merits. To be eligible to be a community interest company (CIC), an organisation 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 organisation 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 on form CIC36 or CIC37. On this form, you indicate why you believe you satisfy the test. In addition, the constitution (articles of association) of a CIC must include statutory clauses to make the organisation a CIC.

## Can political and campaigning organisations be community interest companies?

Political parties cannot become community interest companies (CICs), or set up CIC subsidiaries. Similarly, organisations whose purposes are support for a political party, or political campaigning should not become a CIC. See chapter 2.7 of the 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.

CIC legislation provides that for the purposes of the community interest test 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 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.

# Asset lock

## What is the asset lock?

“Asset lock” is a legal clause that stops the assets (including any profits or other surpluses generated by its activities) of a CIC being used for private gain rather than the stated purposes of the CIC. See chapter 6 of the guidance.

The asset lock is a fundamental feature of CICs. It is important that you understand the concept before setting up a CIC as it is permanent and cannot be removed.

## What requirements does a community interest company have meet to make an asset transfer?

A transfer of assets must satisfy certain requirements. This means that, subject to the community interest company (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, which means assets are sold for market value. This is so that the CIC retains the value of the assets transferred;
- it is made to an asset locked body which is specified in the CIC’s articles of association. An asset locked body is either a CIC, charity, an IPS Bencom, or non-GB based equivalent;
- 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.

## Can a CIC use it’s assets as collateral?

Yes. The asset-lock will not prevent community interest companies from using their assets in pursuit of community benefit; for instance, they will be able to use assets as collateral for finance.



# Financial considerations

## Do community interest companies have any special tax status?

No, community interest companies (CICs) do not enjoy any special tax status. Generally, they are in the same position as any other limited company in getting any tax concessions or grants available, for example due to their type of activity or location. A charity which becomes a CIC will lose its charity tax status.

## Can a community interest company apply to HM Revenue & Customs for tax reliefs?

Community interest companies (CICs) do not receive tax breaks from the Inland Revenue because of their legal status. See chapter 7.6 of the 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 community interest companies (CICs).

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

## Can community interest companies issue shares?

Only community interest companies limited shares can issue shares that pay a dividend to investors. All dividends are subject to a cap which is set by the Secretary of State. See chapter 6 of the guidance.

## What are the tax rules if I am a shareholder?

HM Revenue & Customs deal with tax enquiries and you may wish to contact them, as they can provide advice on your personal tax position. We would also urge you take independent advice as well.

## How are community interest companies financed?

Like other social enterprises, community interest companies (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.

# Equity finance

## How does the equity finance work?

The legislation allows community interest companies (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 2 of the CIC legislation.

For those who want to use unrestricted equity can set up as normal companies. Community Interest Companies (CICs) can set up unrestricted subsidiaries. For example, to raise real equity for higher-risk ventures, provided the arrangement with the subsidiary is purely commercial.

## Who is responsible for setting the dividend cap limit?

The Regulator is responsible for setting the cap in a way that balances the need to encourage investment with the primacy of community interest. The Regulator has taken the views of the social enterprise sector into account in setting the cap. See Chapter 6 of the guidance.

## What is the dividend cap limit?

The dividend cap has a single element called the maximum aggregate dividend cap and is set at 35%. This means that a maximum of 35% of the community interest company's (CICs) distributable profit available at year-end can be paid as dividends to shareholders, if permitted by the directors and members.

This ensures that 65% of the CICs profits are reinvested back into the company or used for the community it was set up to serve.

## Do I have to pay the same dividend limit every year?

No. The amount of the maximum aggregate dividend will vary from year to year in line with the distributable profits available. For example, it could be 10%, 15% or 25% of the community interest company's (CICs) distributable profit available. It is just you are not allowed to pay more than 35% of the CIC's distributable profits.

## How does the dividend cap fit with the lock on assets?

A balance can be struck between the flexibility needed by community interest companies (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 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.

## 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 was confirmed in the technical consultation where most of the respondents who favoured the ability of community interest companies (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.

# Regulation

## **Do the community interest company Regulations apply to Scotland and Northern Ireland?**

Yes. 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 community interest company.

## **How do we know that community interest companies are acting in the public interest?**

Community interest companies (CICs) report annually to the Regulator on how they continue to deliver benefit to their community and how they are involving their stakeholders in their activities. See chapter 8 of the guidance.

## **Are there 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 community interest company (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 guidance.

# The Regulator

## 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.

Ceri Witchard is the Regulator of Community Interest Companies (CICs) and was appointed in September 2015. 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

- 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.

See chapter 11 of the guidance for further information.

## What teeth does the Regulator have?

It is intended that the community interest company (CIC) regulation should be 'light-touch'. CICs have a similar relationship with the 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 can 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.

# Stakeholder and community interest company governance

## Do community interest companies have to involve their stakeholders?

Yes. As a matter of best practice community interest companies (CIC) are encouraged to involve their stakeholders and required to report to the Regulator on how they have done so. See chapter 8 of the guidance.

## Who controls the community interest company?

In the same way as a private company or a charity, each community interest company (CIC) is controlled by those individuals who are appointed to its board and by those who become shareholders or members. The precise structure that is put in place is a matter for each CIC to determine.

## Is there a specific organisational structure for community interest companies?

Community interest companies (CICs) are limited companies subject to general company law, like other companies registered under the Companies Act 2006. Like any other private company, CICs must either be:

- a company limited by guarantee, where members agree to be liable to contribute a specified amount in the event of the company being wound up.
- a company limited by shares, where members purchase shares, with their liability being limited to any amount owing to the company in respect of their shares.

Like any other company, CICs have:

- members of a company who 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.
- a minimum of one member
- a minimum of 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.

# Registering a community interest company

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

The Regulator considers whether applications meet the criteria to become a community interest company (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 guidance.

## Can anyone form a community interest company?

Most people or organisations can form a community interest company (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 or to support political activities.

## What are the restrictions on forming a community interest company?

The restrictions on forming a community interest company (CIC) are:

- A charity cannot keep its charitable status to be a CIC. To become a CIC, it would have to give up its charitable status.
- Companies that carry out activities which only benefit the members of a particular body or the employees of a particular employer will not satisfy this test.
- Political parties and pressure groups, or companies owned or controlled by them, cannot become CICs. See section 35 of the CAICE Act and Part 2 of the CIC Regulations 2005.
- A charitable company registered in Northern Ireland cannot apply for CIC status. See Chapter 2.4.2.
- An existing organisation, who is not a limited company. If they wish to be a CIC, they must become a company first. In many cases a more practical course may be to form a new CIC to which the existing organisation can transfer its assets and liabilities.



## **What legal form can a community interest company take?**

A community interest company (CIC) can choose from one of three company forms:

- a private company limited by guarantee
- a private company limited by shares
- or a public limited company

## **Can existing companies convert to a community interest company?**

Yes. An existing company can apply to be convert to a community interest company (CIC). See chapter 4 of the guidance for further information.

# Names for community interest companies

## Are community interest company names different from other companies?

Yes. A community interest company (CIC) does not have 'limited' in the company name. Instead they have a one of the following name endings:

- for private limited companies these are:
  - 'community interest company' or
  - 'c.i.c.'
- for public limited companies these are:
  - 'community interest public limited company' or
  - 'community interest p.l.c.'
- for private limited companies with a registered office in Wales may use the prescribed Welsh alternatives:
  - 'cwmni buddiant cymunedol' or
  - 'c.b.c'.
- for public limited companies with a registered office in Wales may use the prescribed Welsh alternative:
  - 'cwmni buddiant cymunedol cyhoeddus cyfyngedig' or
  - 'cwmni buddiant cymunedol c.c.c.'

These CIC name endings 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 Regulator. Companies House collects these fees for the Regulator.

	Registrar's Fee (£)	Regulator's Fee (£)	Total Fee (£)
Online Incorporation as a CIC	50	15	65
Postal Incorporation as a CIC	71	15	86
Conversion of a company to a CIC	30	15	45
Conversion involving change of status (Re-registration)	101	15	116
Change of status of existing CIC (re-registration)	71	None	71
Online change of name (if a CIC)	20	None	20
Postal change of name	30	None	30
Confirmation Statement (postal)	62	None	62
Confirmation Statement (Online)	34	None	34

	Registrar's Fee (£)	Regulator's Fee (£)	Total Fee (£)
Annual Accounts (and Community Interest Report)	None	15	15
Online Voluntary dissolution	33	None	33
Postal voluntary dissolution	44	None	44

## Incorporation

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

A community interest company (CIC) can be registered at Companies House in the same way as a normal company by completing the following forms:

- Form IN01
- For CIC36 – the community interest statement
- Memorandum of Association
- Articles of Association
- Fee of £86

See chapter 4 of the guidance for further information.

### What is the community interest test?

To be eligible to be incorporated as a community interest company (CIC) a company must 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).

## **What is a community interest statement?**

The Form CIC36 & Form CIC37 is 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.

## **Why is the community interest statement important?**

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 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, a form CIC14. See chapter 5 of the guidance.

## **What does the community interest statement include?**

The form CIC36 contains explanatory notes, which you should read carefully before completing the form. Each person who will be a director of the company must sign and date 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.
- 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.

Examples of completed forms CIC36 & CIC37 can be found on our website [www.gov.uk/cic-regulator](http://www.gov.uk/cic-regulator).

## **What is an excluded company declaration?**

This statement is included in the forms CIC36 & CIC37. It is a declaration the directors sign and date confirming 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.

## **Are extra clauses required in the articles of association?**

Yes, the articles of association must contain a clause that the company is a community interest company (CIC). 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 chapter 4 of the guidance.

## **Where can I find templates of the articles of association?**

Models of the Articles of Association are available to download on our website [www.gov.uk/government/publications/community-interest-companies-constitutions](http://www.gov.uk/government/publications/community-interest-companies-constitutions)

# Conversion to a community interest company

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

Yes. An existing company can apply to be convert to a community interest company (CIC).

To be eligible to be a CIC, a business must pass the "Community Interest Test". This means that the Regulator must be satisfied that the activities of that 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) and special resolution 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?

An existing company can apply to convert to a community interest company (CIC) by submitting the following documents:

- Form CIC37 – the community interest statement
- A Special Resolution to convert a private limited company to a Community Interest Company
- Articles of Association
- Fee of £45

## Can I register a community interest company online?

No. Applicants are not able to register a community interest company (CIC) online. The Registrar of Companies is hoping to have this service available in the future.

## Can I register a community interest company using the same day registration service?

No. The premium same day registration service is not available for a community interest company (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.

## Can I incorporate a community interest company in Welsh?

Yes, a community interest company (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?**

It takes around 10-15 working days to register a community interest company (CIC) if there are no queries with your forms. However, if there are queries with your forms, it may take longer.



# Changing a community interest company's objects

## How can a community interest company change its objects?

If a community interest company (CIC) wishes to amend its objects, it must:

- pass a special resolution to change its articles of association
- complete a Form CIC14 – community interest statement
- complete a form CC04
- amend the company's existing articles of association showing the amended company objects.

These documents should be sent together and for the attention of the Registrar of Companies.

Once received, the Registrar refers the documents to the 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 guidance.

# Reporting requirements for community interest companies

## Are any additional documents required for community interest companies?

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

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

The report, Form CIC34, will need to include:

- explain what the CIC has done to benefit the community
- how it has involved its stakeholders' in its activities
- details of the remuneration of the directors
- if any assets have been transferred outside the CIC
- the dividends paid on shares and the interest paid on capped loans.

See chapter 8 of the guidance for further information.

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

Examples of community interest company reports - form CIC34 are available on our website [www.gov.uk/cic-regulator](http://www.gov.uk/cic-regulator).

# Ceasing to be a community interest company

## How can a company cease being a community interest company?

A company can cease to be a community interest company (CIC) only by dissolution (which may follow liquidation) or by conversion to a charity. In both cases the 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 guidance.

## What happens to the assets if a company ceases to be a community interest company?

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 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.**

This guidance was updated on April 2013 to comply with:

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



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