



Accountancy Co-operative

the Approachable & Friendly accountancy service

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Community Interest Companies

Community Interest Companies (CICs) are limited companies that exist to provide benefits to a community, or a specific section of a community. The CIC has the flexibility of the familiar company form, and access to a range of financing options, so may be appropriate for those working for a social purpose.

Its key features include an asset lock and a community interest statement.

Setting up a CIC

Registering as a CIC is a single process. When you register you choose to be a company limited by share or a company limited by guarantee. CICs must comply with the CIC Regulations and Company Law. See our guide on [limited companies with a social purpose](#).

When registering your company with Companies House, you will need to provide additional documents, including a **community interest statement** describing your social purpose. The CIC Regulator will approve your application if your statement passes the **community interest test** - ie the business activities you intend to undertake will be carried out for the benefit of the community or a section of it, or that the CIC's purpose is in the community's or wider public's interest.

CICs shouldn't be confused with charities. CICs cannot have charitable status but a charity can set up a CIC subsidiary company. This means they do not get the tax benefits of a charity, but in return they do not have the strict reporting requirements of a charity.

See our guide on [social enterprises as registered charities](#).

How CICs operate

CICs have to follow specific rules, including the following:

- CICs must have an **asset lock**. This means that the company cannot generally transfer its profits or assets for less than their full market value except as permitted by regulation. It will also protect any remaining assets for the community if you dissolve the CIC.
- If you set up your CIC as a company limited by shares, you'll have the option of **issuing shares** that pay a capped dividend to investors. The cap is set by the CIC Regulator to protect the asset lock.



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- Together with your annual accounts, you must present an **annual community interest company report** for public record. The report must show what the CIC has done during the year to pursue its pre-specified community interest and involve the individuals or groups with a particular interest in the CIC.
- Certain voting rights changed on 1 October 2009. A CIC's chairperson no longer has the right to have a second or casting vote at a board meeting when the votes are equally divided. An alternate director can no longer - in the absence of their appointer - have a separate vote on behalf of their appointer as well as their own vote.

For more information please do not hesitate to contact us at the Accountancy Co-operative.



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