



## **Community interest companies**

A Community Interest Company (CIC) is a special optional corporate legal structure for social and community enterprise activities.

A CIC is registered at Companies House and subject to company law, as well as special CIC regulations. A CIC is an independent legal identity separate from its members and directors. It can hold assets, enter into contracts and legal arrangements, employ staff and enforce its own legal rights. CICs can be registered in any of the UK's jurisdictions – England and Wales, Scotland or Northern Ireland.

The members of a CIC have the protection of limited liability, which operates through the usual company law mechanisms because a CIC is either a public or private company limited by shares or a private company limited by guarantee. However, the CIC itself is entirely liable for its own debts and other legal entities can enforce any legal rights and claims they have against it.

Because CICs must be established for community benefit purposes, there are a range of significant legal restrictions on how their funds and assets can be used. There are also controls on how CICs can be funded. These controls impact how a CIC can raise funds and limit the amounts it can lawfully pay on dividend-bearing shares or profit-related interest-bearing loans. There are also controls on what payments a CIC can make to its directors and requirements to disclose directors' remuneration and benefits.

## **Community interest test**

It is a fundamental requirement for every CIC that it delivers benefit to the community within the terms of the legislation (the Community Interest Test). In order to become a CIC, an entity has to satisfy the CIC Regulator that it will deliver such benefit and it must do this before it can be incorporated by the Registrar of Companies at Companies House. Every year, a CIC must file a Community Interest Company Report alongside its annual accounts and reports.

## **How we help**

Our charity specialists are here to advise you on the most appropriate corporate structure for you, as well as guide you through the process of registering a new CIC or converting an existing entity into a CIC.

A comparison table, setting out the distinctions between companies and CICs is available on request, subject to a small fee.

For our range of accounting, audit, independent examination and related services contact:

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### **Burton Sweet Charities and Voluntary Sector Unit**

We have a longstanding commitment to serving the charity and wider “not-for-profit” sectors. Our specialist knowledge and practical experience provide you with expertise, commitment and value, to help you build a successful future for your organisation. For professional advisers, we offer unique expert assistance in dealing with your clients’ needs.

Our charity team includes accountancy and legal skills. Team members offer an outstanding range of knowledge and practical experience, combined with a real passion for making sure charities can deliver effectively and show the good they do.

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