

Community Interest Companies – Four Years On

Community interest companies (CICs) were introduced in 2005 – four years on, there are some 3000 on the CIC Register, and they are being used as the legal vehicle for a wide range of social enterprise and not-for-profit projects serving communities across the UK.

Community shops, transport services, renewable energy provision, food and farming co-operatives, village halls, low-cost work units and training schemes are some of the huge range of activities run through CICs.

CICs are a form of limited company, with or without a share capital, which are registered with and regulated by Companies House in the same way as other limited companies. CICs cannot be registered as charities but they are similar in that a CIC must be used for community benefit. Its assets are subject to an “asset lock” so that they cannot be transferred into private ownership, unless sold for full market value.

CICs can operate much more freely than charities and can engage in a wide range of community and trading activities without having to observe the restrictions imposed by charity law. It does not have to pursue wholly and exclusively charitable objects and unlike charities, a CIC can pay its directors and pay dividends to shareholders, subject to caps set by the CIC Regulator.

CICs do not, however, benefit from the tax reliefs enjoyed by charities, and so may not be suitable for projects where significant income is to be earned from fee-charging, trading or investment, rather than received in the form of non-taxable grants.

They are subject to regulation by the CIC Regulator, a public official who must be sent an annual report from every CIC on its activities and payments to directors or stakeholders. She also has powers to step in and supervise a CIC which is in default of the CIC Regulations, for example if it attempts to transfer its property to private ownership or pays too much to its directors. This “light touch” degree of regulation is not onerous but helps to promote trust and confidence in a CIC’s community benefit mission.

The CIC form is proving to be a very flexible and versatile form of company for operating community ventures.

Lancaster Parr will be happy to advise you on whether a CIC will be suitable for your project. Telephone Rosie Parr on 01749 850276, or e-mail her on rhparr@lancasterparr.co.uk