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Community Interest Company (CIC)

A CIC is a legal entity available in the UK. It is a type of limited company and can be limited by guarantee or shares. A CIC must ensure that it provides benefit to the community or a section of it and its social purpose as at the heart of the structure.

Because it is a type of limited company, it must comply with and report to Companies House, as well as reporting its community benefits to the CIC Regulator as part of its Companies House compliance. Furthermore, the CIC has limited liability and offers protection to those who manage the CIC.

A CIC has a statutory asset lock which ensures (by law) that the assets of a CIC must be used primarily for community benefit. A CIC cannot have charitable status (therefore cannot have the tax advantages of a charity) but it may, in certain circumstances, convert to a charity.

The asset lock of a CIC ensures that must not be sold or transferred assets for less than market value in order to protect assets for community. However, assets may be passed to other asset locked bodies such as CICs, charities or mutual societies.

A CIC can be a flexible legal form that provides access to various finance options which can be useful for social enterprises.

CICs are a flexible model and can be set up easily with very little set up costs, but advice should be taken to ascertain that it is the correct option for your organisation.

A CIC limited by shares, may distribute dividends to shareholders which are capped at a maximum of 35%, which allows for 65% to be used for the community purposes.

Advantages:

- Status may be attractive to certain funders
- Flexible form
- Can pursue trading activities (restricted by charities)
- Positive public perception – benefit to community

Disadvantages:

- Not entitled to same tax breaks as charities
- Cannot access some funding available to charities

**Website**www.arachas3.co.uk