



Setting up a Community Interest Company (CIC)

This information sheet has been adapted from The Office of the Regulator of Community Interest Companies Website:

<https://www.gov.uk/government/organisations/office-of-the-regulator-of-community-interest-companies>

Companies House produces a really useful guide to follow and understand CIC registration.

<https://companieshouse.gomocentral.com/content/692e25e9-e58f-4471-b001-0fd048be9a15/web>

What is a Community Interest Company?

Community Interest Company abbreviated to 'C.I.C' (often pronounced KICK), are companies that have been established for the greater good of the community. They are aimed at social enterprises that cannot have, do not have, or don't want to have, charity status. The benefit of a Community Interest Company is that the company does not have any financial or growth restraints, as could be the case with a charity, and maintains trust within the community which might be lost by trading as a private company.

Advantages:

- Easy to setup – small set up cost
- Flexible form
- Can trade
- Useful for enterprises of all sizes
- Director can be paid
- Free to operate more 'commercially' than are charities
- Can be registered at Companies House in the same way as a normal company with the same incorporation documents
- The majority of CICs will have a similar relationship with the CIC regulator as companies have with Companies House
- There is no maximum number of members. The members of a company are the subscribers to the company's memorandum.



Disadvantages:

- An organisation cannot be both a CIC and a charity
- Can be undemocratic
- More regulated than charities – (around submitting accounts)
- Do not have certain tax benefits as for charities
- Will not have the benefit of charitable status
- If a Community interest company limited under guarantee will not be able to distribute profits and assets to their members (no share dividend)
- Has an asset 'lock' (so on winding up the assets of the company have to be transferred to another similar organisation)

A Community Interest Company can be set up in one of three forms:

- Private company limited by guarantee
- Private company limited by shares
- Public company

CIC's can be established for any lawful purpose, as long as their activities are carried on for the **benefit of the community**. Community interest is at the heart of the CIC and the **Community Interest Test** is what differentiates CICs from other for-profit organisations.

Who regulates CICs?

Companies' House and the CIC Regulator – (an independent public office holder appointed by the Secretary of State for Trade and Industry)

What is the Governing Document?

The Governing Documents of a company consists of two parts:

- The memorandum of association - contains the aims of the organisation, the powers it has to pursue them and the extent of member's liabilities;
- The articles of association - describe the company's rules, including its procedures for electing the management committee and keeping accounts.



What is the process to set up a CIC?

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.

1. Decide whether being a CIC is the right legal structure for your organisation.
2. Decide on which CIC form you wish to take Private company limited by guarantee, Private company limited by shares or Public company. Detailed guidance on **Memorandum and Articles** (known as mem and arts), including draft examples can be found on the CIC website: www.cicregulator.gov.uk

3. Complete form IN01: [application to register a company](#)

Section A1: ensure that the name ending is shown in the company name - for private limited companies these are 'community interest company', 'CIC' or the Welsh equivalent. If the full company name is not shown on the form, Companies House will reject it.

Section A3: do not complete - this should be left blank

Section A7: tick option 3 - this is because the proposed company is adopting bespoke articles.

4. Complete form CIC36: [application to form a CIC](#)

5. Create the memorandum and articles of association

The constitution includes the memorandum of association and articles of association.

See [constitutions guidance](#) for information and templates ('model constitutions').

Ensure that all mandatory clauses that apply to CICs are included in your articles of association. These clauses are highlighted in red in our models and can't be removed or altered.

NOTE: CICs that work with children or vulnerable adults

Community Interest Companies that work with children or vulnerable adults need to ensure that they have the appropriate measures and safeguards in place to protect these individuals. This includes ensuring DBS checks are made on all staff and volunteers that work with children and robust safeguarding policies.



6. Apply online or send the documents and fee

Lower fees (£27) are payable for online submissions.

<https://www.tax.service.gov.uk/register-your-company/setting-up-new-limited-company>.

Post the documents to the Registrar of Companies, with a cheque (Postal applications take 8 to 10 days and cost £35 (paid by cheque made out to 'Companies House').

Directors' responsibilities

CIC directors must comply with Company House regulations on running a limited company. Further guidance can be found at <https://www.gov.uk/running-a-limited-company>

Reporting

Like all companies you need to provide an annual report on a yearly basis – There are 2 types of Community Interest Company (CIC) report: detailed and simplified. The majority of CICs complete the simplified report. (There is a fee of £15)

The detailed report is reserved for CICs that have more complex financial arrangements. If you complete this type of report, you might need to get professional advice in relation to the financial information sections.

CIC reports are placed on the public register and made available for the public, which provides an opportunity to showcase your CIC's activities and the benefits provided for the community over the last year. Your report does not have to be especially detailed, but you should identify highlights.

https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fassets.publishing.service.gov.uk%2Fgovernment%2Fuploads%2Fs%2Fsystem%2Fuploads%2Fattachment_data%2Ffile%2F889191%2Fform-cic34-short-version.odt&wdOrigin=BROWSELINK

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Clarity is a Community Interest Company based in the South West that helps organisations that do good – do even better. For further information or to discuss your support requirements please contact info@claritycic.org