

Community Interest Companies

March 2008



A Community Interest Company (CIC) is a new type of company available in Northern Ireland from 6 April 2007.

A CIC has the same basic legal structure as other registered companies, with special additional features. It is designed for the use of people who want to conduct a business or other activity for community benefit, and not purely for private advantage.

This new type of company will combine the advantages of a flexible company structure including limited liability with a recognisable and regulated vehicle for social purposes.

A CIC can carry out almost any type of business or enterprise but cannot be used for personal gain of a particular person or group of people or to support political activities. A charity may not be a CIC but a charity can own a CIC which could pass assets to the charity.

To be accepted as a CIC the company must satisfy a "community interest test", this means that its primary purpose must be one that a 'reasonable person' might consider of benefit to the community. The benefit can be to the community or population as a whole or a smaller sector of people in Northern Ireland or elsewhere.

A CIC is subject to a statutory "asset lock" to ensure that the assets of the CIC are used for the benefit of the community. The "asset lock" will not prevent the CIC from using its assets for normal trading activities although there is a limit on the levels of distribution of profits that may be made to members. The assets or profits of a CIC cannot be transferred from the company for less than market value, unless they are transferred to another asset locked company or a charity.

It will be possible to form, or to convert to, a CIC registered in Northern Ireland by application to Companies Registry in Northern Ireland. Companies Registry will issue a certificate of incorporation as a CIC after the correct forms and incorporation documents have been submitted and the CIC Regulator approves the application.

Once registered a CIC must use either 'CIC' or 'Community Interest Company' in their name, though a PLC will use 'Community Interest Public Limited Company' or 'Community Interest PLC'. A CIC will also be required to produce an annual Community Interest Report to be delivered along with the annual accounts to Companies Registry to show how it has benefited the community in the previous year.

Please note: The content of this article is for information purposes only and further advice should be sought from a professional advisor before any action is taken.