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MAKING A DIFFERENCE LOCALLY

Guide #4

COMMUNITY INTEREST COMPANIES

Setting-up a social enterprise: a Community Interest Company.

A do-it-yourself guide.

A CIC is a not-for-private-profit **trading** company,

i.e. a community business, a social enterprise.

It is distinctly *different from a charity*, cannot operate as one, and has both advantages and disadvantages over a charitable organisation.

(To setup a community group or charity, see our other Guides)

inTRUSTed

EFFECTIVE RECRUITMENT & SUPPORT FOR TRUSTEES

This guide is for groups that can be supported by **in**vol**ve** Community Services: primarily those in Bracknell Forest and Wokingham Borough, or elsewhere in the Thames Valley. If you're outside those areas, please feel free to use our Guide, but you may get better support from similar organisations in your own area who are also NAVCA members.

We have tried to make our guide as accurate as we can, based on the CIC Regulator's and other guidance, but **in**vol**ve** Community Services are NOT legal experts, nor qualified in company formation.

If you find our mistakes here, please let us know as soon as possible.

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MAKING A DIFFERENCE LOCALLY

COMMUNITY INTEREST COMPANIES

A self-help guide to setting-up a CIC:

a social enterprise for "community good"

A CIC is not the only form of community business:
there are also cooperatives, mutual societies, Community Benefit Societies, Companies Limited by Guarantee, and more.
Those alternate types are mentioned here (with hyperlinks to more information), but this is *not* a guide to them.

This guide does not differentiate between a "community business" for a *local* community and a "social enterprise" which may not necessarily be locally-focused = setting up is the same process.

involve Community Services does not provide legal advice nor help with company formation;
you should obtain qualified legal help if you need further assistance.

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NOT a charity!

A Community Interest Company (CIC) is a not-for-private-profit incorporated* trading organisation but is **not charitable** and must never call itself a "charity, charitable, charity-like, etc." The Charity Commission is inclined to take swift and strict legal action against any non-charitable organisation using those or similar terms. It is legitimate to say "non-profit, not-for-private-profit, community business or social business, etc."

*incorporated simply means it's a company, not just a group of individuals

STOP! Look at these:

Our DIY guide to forming a Community Interest Company is based on the Companies House/CIC Regulator's guidance. Before you start to form your CIC, look at their step-by-step guide, their leaflets including FAQs.

It will be worth reading their "Dos and Don'ts."

involve Community Services appreciate that some of that guidance may not apply to your ideas and your intended CIC, so read their tips **and** our Guide.

There is an 'old' Webinar recording Guide to setting up a CIC, from the Regulator, but we find it complex and confusing ☹

The CIC Regulator has been merged with Companies House. That will not affect your Registration or subsequent reporting requirements.

If you already understand the differences, advantages and disadvantages of forming a CIC instead of a charity, you can skip to page 6.

And note the chart on page 5 does not directly show advantages against *disadvantages.*

Some weblinks in our Guide may not work as intended, as Companies House changes it information. Ask **involve** if you can't find something.

Alternative types of not-for-personal-profit legal structure

Advice & resources for setting up any social enterprise

The right legal structure for your social enterprise

There are other types of not-for-private-profit trading organisations that aren't CICs.
These include **Community Benefit Societies** regulated by the Financial Conduct Authority, as well as co-operatives and similar 'mutuals', and **Companies Limited by Guarantee** regulated by Companies House.
Most of these would not be seen as a "community business" and may be more-complex to set up.
This list is not exhaustive; there are set-up fees and filing fees for some of these.

Help & support for cooperatives & mutuals 1
Help & support for cooperatives 2
Setting up a social enterprise

Complex guidance, legally complete, a little dated *(insufficient detail about online registrations)* but still applicable in principle Download "Social Ventures" PDF from Thomson Reuters Foundation

Setting up a charity (link to our **involve** Guide)

school for social entrepreneurs ← **more info** ☺

Changing legal structure

If, in the future, you decide you want to "convert" your not-for-private-profit trading group from a CIC to a charity, see page 13.

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It is possible to convert from a Company Limited by Guarantee, to a CIC, *but why?* If you're already a CLG, you don't need to change that in order to trade. Ask **involve**.
If you're setting-up your not-for-personal-profit group and don't want to be a charity (see also page 5), then just start a CIC as explained here!

Both a CIC and a charity
Are "social ventures": must define a "benefit" to an agreed group/community, and reinvest all financial surpluses for that community, although the definition of CIC "benefit" is more flexible.
Can accept public donations. Can apply for some grants (more difficult for CICs). Can apply for funding from National Lottery programmes (more difficult for CICs).
Is a not-for-private-profit organisation, set up to do "public good".
Cannot be associated with, or be, a political party, political or campaigning organisation, or a subsidiary of those.
As at August 2025, across the UK there are ~217,000 Registered Charities, but only 37,000 CICs

As stated, this table *does not directly*

show advantages versus *disadvantages*

Advantages	**Disadvantages**
Advantages of setting-up as a Community Interest Company and not a charity	**Disadvantages of being a Community Interest Company and not a charity**
Fast set up : approx. 48 hours for the whole Registration process, as opposed to up to 160 days to Register a charity (can be quicker).	There is a cost to setting-up (now £115 to register online), unlike charity registration which is free.
Easier to set-up and regulate than a non-profit 'Company Limited by Guarantee' (another type of non-charitable company).	No tax advantage – CICs pay Corporation Tax on their surplus/profit, unlike charities which are exempt.
A CIC is incorporated, limiting much liability and financial risk for its Directors *(although charities can also be incorporated)*.	No Charity Number *(obviously, as not a charity)*. The public may think a CIC is a charity but the CIC must always disabuse that notion.
Directors of a CIC can be paid *(whereas charity trustees cannot)* although high salary/remuneration may attract criticism.	Not eligible for Gift Aid on donations, whereas charities can claim 25% extra without any cost to them or donors.
No "Public Benefit" requirement, as for charities, although a CIC must define an "Asset Lock" which has some constraints. See "Community Interest Statement" page 7, below.	"Asset Lock" – resources cannot be used for private gain & although this has some similarities to the charity "Public Benefit" requirement, it's **not the same.** (Cf. page 7)
A CIC can be set up with one Director ☹, but there are big disadvantages in having less than three Directors. (Those disadvantages are mostly for any funding applications and with assumptions of personal benefit).	Little public knowledge of what a CIC is. It may be more useful to use the term "community business" or "social enterprise" rather than the legal terminology of "Community Interest Company".
Possibility of borrowing money from Banks and financial institutions, although **involve** Community Services has no experience of this or advice to offer, aprt from to say "you'll need a Business Plan, and ideally some record of trading income" See disadvantages → →	Fundraising is more difficult; business loans, grants and other finance sources may not initially be easy to obtain without a prior record of trading. But, although we appreciate 'start-up' funding may be difficult, your intended primary income is selling services and/or goods = **"trading".** LinkedIn article which is very critical of CIC's funding.
Able to 'trade' in anything that fits the description of the Community Interest Company: sell services, sell goods. Charities are closely constrained in, or precluded from, many types of trading.	The CIC Regulator is said by some entrepreneurs to be a "light touch" *(probably compared with the Charity Commission).* Other CICs may have poor ethical and business practices which are not strictly regulated; think of *your* reputation!

The steps to get your CIC set up.

Name of CIC

Choose a unique name for your Company: search [Companies House](#) and the [Charity Commission](#) websites to check the name isn't taken or close to another company/organisation/charity.

Choose something that makes sense to other people and doesn't need to be explained, especially to your potential customers!

It may also be worth a comprehensive internet search, as you don't want to be legally-challenged by an organisation already using a similar name or trademark, or confuse your potential customers.

If any of this is unclear, please ask **involve** Community Services intrusted@involve.community

Type of CIC

There are two types of CIC:

Limited by Guarantee or *Limited by Shares*.

'Community businesses' are all Limited by Guarantee.

Only a CIC Limited by Guarantee can apply for National Lottery funding, and only such could 'convert' to a charity, if that was ever needed (Cf. Conversion page 13).

You cannot change, or 'convert', a CIC Limited by *Shares* to a CIC Limited by *Guarantee*.

Get it right 1st time!

Size of CIC & Membership

For a CIC Limited by Guarantee, you can have a *Large* Membership (controlled by Members as well as Directors), or a *Small* Membership (controlled by Directors only).

Usually, **Small Membership** is appropriate: your choice.

Download this [Example Form](#) for guidance to what you'll need to write

Community interest statement

Write a simple 'Community Interest Statement', setting out the CIC's aims and objectives :

"The company's activities will provide benefit to the community by…"

Be specific and exact in your wording, but **involve** suggest you **keep it simple and short**.

This statement is for your own benefit, to help with the "Community Benefit Test" (page 8) and completion of the CIC36 Form:

[Templates and sample-completed Form CIC36](#)

Define your community

You'll need to clearly define your 'community', be it geographical or a community of interest ("Everyone who lives in Easthampstead", "Parents who need childcare").

The CIC Regulator use their "Community Benefit Test" on your wording, but they won't know your community, probably won't fully grasp your 'offer' or any jargon you use – so don't!

No jargon!

Asset lock

Your CIC must protect its assets, meaning that your income, profits, resources, etc., must be ***retained*** within the company and used for the "community" you've defined above.

If you have to close-down your CIC, your assets can only be transferred to another asset-locked entity (**only** another CIC or a charity).

When setting-up, you should decide on another asset-locked body that would receive your CIC's assets if your group has to be closed down. This other group doesn't necessarily have to have the same objectives or even be in the same geographical area.

It's polite to inform that other organisation before using their name in your application ☺ and you may already have a relationship with them.

Community Interest 'Test'

To set-up a CIC, your group must pass and continue to satisfy the "Community Interest Test", which means demonstrating that your group's activities are being carried out for the **benefit** of the community, or a reasonable section of that; 'community' is as defined by you (page 7), but must be clear enough to the Regulator.

In **involve**'s opinion, the Community Benefit Test is much easier to define and pass than the Charities' Public Benefit Requirement, but CICs have less advantage *(as above, especially tax and public recognition).*

How to pass the 'test' ✔

What you write in the CIC36 *"How will the activity benefit the community?"* is all there is to the 'test', and is what you wrote when you created your Community Interest Statement (page 7).

REMEMBER: *No jargon!*

Paying your Directors

Unlike charity trustees, CIC Directors can be paid, but that must be "transparent and **never more than is reasonable**".

The *reasonable* amount will be self-determined by your Directors, but you should think about what 'the public' or 'the community' or funders may think of large payments to your Directors. The Regulator reserves the right to challenge any "unreasonable" amounts.

You must **declare** the details and amounts to the Regulator and thus **to the public** in your Annual CIC report.

Number of Directors

You must have at least one Director, but potential funders, especially the National Lottery, **require at least three unrelated Directors**, and the public may frown on only having one person in control of a "community" business.

Directors can be from aged 16, but only Directors who are aged 18+ can legally sign documents.

CIC Limited by Guarantee

You must have Guarantors, who are the Directors, if the CIC can't pay its debts, but as you are setting up a CIC ***Limited*** by Guarantee, you should limit that guarantee to £1.00 (could be higher, but why?).

Each Director would thus only be liable to pay £1 if the CIC can't pay its debts.

Money & financing 1

A CIC's profits are subject to Corporation Tax (unlike charities), but investment of that profit back into the community and the CIC might offset some of that tax *(**involve** is not a tax expert: check this!).*

Money & financing 2

A CIC can accept donations, apply for funding, including the National Lottery, etc. (as long as you have at least 3 Directors), although you will usually need some operational 'track record' when applying for funding. A Business Plan helps.

Money & financing 3

Because CICs are less known to the general public, sometimes it's hard to raise donations and funds; but, of course, a CIC charges for its services or products (thus is a trading organisation), and has much more 'commercial' financial freedom than a charity.

Money & financing 4

Your local Chamber of Commerce/Business Start-Up might be able to suggest appropriate start-up funding from its similar support for SMEs.

Money & financing 5

Some Banks and financial institutions may lend money to a CIC, but you **must** have a Business Plan, with financials and forward projections based on robust data. **involve** don't know of any Banks that do lend, but that doesn't mean it's impossible.

Charities Excellence Framework has funding resource lists for CICs (as well as a setting up guide like this).

To set up your CIC

To register your Community Interest Company online (it is possible, but harder & more expensive to use paper forms, and that's not covered in our Guide)	
1	You will by now have a name for your CIC that not similar to any other organisation (Cf. page 6), and a physical/postal address.
2	Download Form CIC36 (Word or ODT). • Complete Section A: "The company's activities will provide benefit to…" • Complete Section B: "Tell us what the activities will include" "How will the activity benefit the community?" • Complete Section D by each Director signing (signed & scanned, or DocuSign, NOT typed signatures) • Save as a PDF to include what you've written and those signatures.
3	Ensure you know which not-for-private-profit organisation (another CIC or charity) you will nominate as the "Asset-locked Body" (Cf. page 7).
4	Download Articles of Association (Word only) • Complete the Model Articles of Association for a Community Interest Company Limited by Guarantee (**Small** Membership), OR • Complete the Model Articles of Association for a Community Interest Company Limited by Guarantee (**Large** Membership) – *less likely* • Insert your CIC name on page 1 and elsewhere. • Insert Asset-locked name in Clause 3.5, and a very brief summary of your "Objects" (Community Benefit as on Form CIC36) in Clause 5. • **DO NOT amend or add any other Clauses.** • Save as a PDF.
5	You will need a Standard Industrial Classification code, which are universal descriptors of what companies do – Companies House maintain the Condensed SIC code list which you must use, but you may have to choose 88990 ("Other social work activities without accommodation"), as they don't understand not-for-private-profit organisations and there are no "community" or "non-profit" SIC codes ☹.
6	You will need personal details of your Directors, with some of that information made publicly available on the Companies House website. Your Directors MUST have a Verified Identity which provides permanent Personal Code for each Director. You cannot proceed without a Code for each Director. You may also need full names and title, home address and length of residence, Date of Birth, NI Number, Occupation, Nationality, plus some confidential information as a security measure to identify you when setting this up (e.g. mother's maiden name, etc.).

7	When applying, you will be asked about Persons with Significant Control, which are requirements for all types of Limited Company. These PSCs are your Directors, with an equal percentage split by number of Directors (down to 25%), unless there are more than four Directors, in which case you can declare “No Persons with Significant Control”. *If this paragraph doesn’t make sense, ask **involve** to explain ☺* *intrusted@involve.community*
8	To register, you will need a **Government Gateway account**, Gateway ID and password to access this registration online portal: https://www.tax.service.gov.uk/register-your-company/setting-up-new-limited-company You will be asked to set up a Gateway ID for your CIC, which you will also use in future years to upload your CIC Reports & Accounts. You may already have a Government Gateway account that if you’re personally registered to use the HMRC service. *Gateway is being replaced by GOV.UK One Login and may be in place by the time you read this and utilise it: it’s similar!.*
9	Questions asked as your start registration: • Is this a new application? (you can come back to one you’ve started) • Do all Directors have a Verified Identity Code? • Can you pay online via card or PayPal? • Are any PSCs on the secure register? *(probably “No”; only applies if there are threats to Directors who wish to withhold their home addresses)* • You will be emailed a one-time code to set up the Gateway ID
10	Using the Govt Gateway format, you will complete the information requested, all as detailed above: ☆ Name and address of CIC ☆ Names and all other information about Directors ☆ Persons of Significant Control; SIC code ☆ Upload PDFs of CIC Form36 and Articles of Association ☆ Make payment online (£115)
11	Companies House will acknowledge your application, and if you haven’t made mistakes and have sent them all the information requested, should receive their decision within 48 hours.
12	**Congratulations! You have formed your Community Interest Company!**

Annual Reporting to Companies House

A CIC is like all Limited Companies, and has to create and file **Accounts** every 12 months.

Your first Accounts are due 12 months after incorporation; you can change your Accounting Reference Date if needed.

Companies House Guidance on producing and filing Accounts (very complex; full legal guidance).

Most CICs will be "small Companies" and submit "Abridged Accounts" (that changes in 2028, and you will then need Filing Software).

Discuss the creation of Accounts with your Accountant.

Annual Reporting to Companies House

Unlike other Limited Companies, a CIC must produce an Annual CIC Report, using Form CIC34.

The Report must include

- What the CIC has done to benefit the community
- How it has consulted its stakeholders on its activities
- Full details of Directors' remuneration
- Transfer of assets information if for less than market value (less common)

The Regulator states that *"CICs should aspire to provide the fullest possible information rather than simply comply with the minimum requirements."*

There are example completed CIC34 forms to download if needed.

Form CIC34 download

"Simplified Community Interest Company report"

File your CIC34 and Accounts via the Govt. Gateway account to Companies House and pay £15 by card.

ENSURE YOU DO THIS ON TIME – late filing incurs £s penalties.

school for social entrepreneurs

Information, resources, courses (often FREE) for social entrepreneurs

Having set up your CIC, you might want to later "convert" it into a Registered Charity…

- Your reasons may be that you initially set up a CIC because you needed to have a legal incorporated structure in place quickly, but were always intending to be charitable in the long run.
- Or you may decide that the constraints on your CIC to request public donations, grants, and recognition of "doing good" means you'd think you'd do more of that good if you were a charity.
- **67% of 'conversions' are refused** by the Charity Commission, because they *don't meet the legal requirements* of "charitable", of Public Benefit or because of CIC Directors' payments.
- You must recognise that a charity is more regulated, needs to clearly identify its "Public Benefit" in order to register, is required to be more transparent and detailed in its reporting (to the Charity Commission) and that trustees aren't paid, unlike CIC Directors. See **involve** guides.

A joint Companies House/Charity Commission guidance video looks a little dated, but shows the steps to "convert" a CIC into a CIO. Guidance starts at 18 minutes into the video, specific steps at 33 minutes.

To "convert" your Community Interest Company into a Registered Charity	
1	Only a CIC Limited by Guarantee can become a charity. **involve** recommend "converting" to a Charitable Incorporated Organisation, which is one type of charity structure, with "some" similarities to a CIC, including limited liability for trustees.
2a	A CIC with Small Membership (Cf. page 6) can become a **Foundation** CIO, which does not have Members apart from its Trustees, or become an Association CIO, which has voting Members who elect Trustees.
2b	A CIC with Large Membership can only become an **Association** CIO, which has voting Members who elect its Trustees.
3	Good guidance to converting a CIC to a CIO (the rest of this Guide below follows that) https://www.gov.uk/guidance/convert-a-community-interest-company-to-a-cio
4	The CIC's Directors must prepare a "Conversion Resolution" for the company to agree to become a charity. This is simply Directors writing the Resolution ("we want to convert the CIC to a CIO…") and agreeing it by formal vote recorded in Minutes.
5	Amend the CIO template Constitution, in line with the CC's guidance notes, being careful not to delete mandatory clauses. **involve** offer a "clause check-up" service, if needed.
6	Directors "Adopt" (agree) the Constitution. Directors write another formal Resolution ("we want to form a CIO…") agreed by vote. Take Minutes of Resolutions & Adoption.
7	Apply for Charitable status via the Charity Commission online portal This is free, and you do not need a Gateway account to do this. Ensure you read their guidance including Conversion Guide; you may also want to look at the **involve** guide.
8	During charity Registration process, in their "Additional Information" section, you **must** tell the CC that you are "converting" from a CIC to a CIO. As well as the other charity registration documents, you must also upload both Resolutions (points 4 and 6).
9	If you fail to send documents or miss information during the charity Registration process, the CC *may* reject your application, and you'll have to start again. The process may take up to 160 days, but can be faster.

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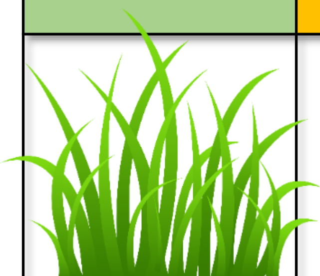
MAKING A DIFFERENCE LOCALLY

Don’t forget that **involve** Community Services provides a range of other services for voluntary & community groups, charities and other not-for-private-profit organisations

Start-up & growth support for your charity	Training in a wide range of topics & on-demand	Funding advice & support with bids	Volunteer recruitment & support (in Bracknell)	Good governance for your group
				

reception@involve.community 01344 304 404 inVOLve.community

Starting a not-for-private-profit group

Trustee Recruitment & Governance

If you find ‘external’ links to the other resources that don’t work, please let us know, so we can fix this guide, correct as at June 26.
intrusted@involve.community