

COMPANY TYPES & REGISTERS

Community Interest Companies (CICs): Purpose, Asset Lock and Regulation

How a community interest company works: the community interest test, the asset lock, the caps on dividends and interest, and the regulator's reports.

What a CIC is

A community interest company is an ordinary company with an extra layer of regulation, created by Part 2 of the Companies (Audit, Investigations and Community Enterprise) Act 2004. It can be limited by shares, limited by guarantee or a public company, but not unlimited. It exists to benefit the community or a section of it, not its owners, and it is overseen by the Regulator of Community Interest Companies, an independent regulator.

A CIC cannot be a charity, and a charity cannot be a CIC. That choice matters early, because the two bring different tax treatment, different regulators and different ways of rewarding investors.

The community interest test

At formation, and as a continuing condition, the company must satisfy the community interest test: a reasonable person might consider that its activities are carried on for the benefit of the community. The company explains its purpose in a community interest statement lodged with its application, on form **CIC36**. The Regulator will refuse an application that fails the test. A company cannot be a CIC if it is a political party or a political campaigning organisation.

The asset lock

The defining feature is the asset lock. The company's assets must be used for the community interest purpose, or transferred only to another asset-locked body, or sold or transferred for full market value. The articles must contain asset lock provisions, and the Regulator expects them to follow the model constitutions. If the company later closes, its remaining assets go to an asset-locked body, such as another CIC or a charity, and not to the members.

Name

A CIC must include "CIC" or "CIC" in its name. A CIC that is a public company uses the full words "CIC" or the abbreviation.

Key points

- A CIC is a company plus a regulator.
- It must pass the community interest test.
- The asset lock binds the assets for good.
- Dividends are capped; performance-related interest on loans is capped too.
- An annual community interest report accompanies the accounts.
- A CIC cannot be a charity.

Dividends and investors

A CIC limited by shares can pay dividends, but within a cap. The cap now has one element, a maximum aggregate dividend of no more than 35% of the CIC's profits, so at least 65% stays in the company or is used for the community. The old per-share limit was removed in 2014. Interest on loans can also be tied to performance, subject to a separate cap, set at 20% of the average debt outstanding, with the rate fixed for the life of the debt. A CIC limited by guarantee pays no dividends.

Investors who want a return, even a limited one, should read the caps before committing. A CIC raising money needs to explain the cap and the asset lock clearly in its documents.

Reporting

Each year the CIC files its accounts and a community interest report (form **CIC34**) at Companies House. The report describes what the company did for the community, how it consulted its stakeholders and what it paid in dividends and interest. Most CICs complete the simpler version; those with more complex finances complete the fuller one. The report is public, and the Regulator reads it.

The Regulator's powers

The Regulator can investigate a CIC, require information, appoint or remove directors and, in serious cases, apply to the court. A CIC can also convert from an existing company with the Regulator's approval, using form **CIC37**, and conversion is a common route for a social enterprise that started life as an ordinary company.

Costs

Companies House sets its own fees for CIC incorporation and conversion, which differ from ordinary company fees and changed in February 2026. Check the current fee list before filing.

Before you apply

Write the community interest statement in plain terms, because the Regulator reads it alongside the articles. Decide early whether outside investors are wanted, since shares, dividends and the caps shape which model articles to use and what the investor documents must say.

Questions to ask the client

- Does the activity pass the community interest test?
- Will anyone invest, and do they accept the dividend cap?
- Is the asset lock acceptable to all the owners?
- Would charitable status suit better?
- Is it a new company or a conversion?
- Who will write the annual community interest report?

How MTM can help

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We form CICs, prepare the community interest statement and asset lock articles, and handle conversions of existing companies. We also maintain the registers and prepare the annual filings, including the community interest report with the accounts.