



Converting a CIC to a Charity

Did you know that some Community Interest Companies (CICs) are considering converting to charities?

At Durham Community Action, we have been approached by directors of organisations that initially set up as CICs but are now finding that this model no longer meets their needs for a variety of reasons.

Community Interest Companies (CICs) were introduced in 2005 in the UK as a legal form of social enterprise. CICs are designed to serve a social purpose while offering a degree of financial flexibility not typically available to charities. While CICs can generate profit, they must prove that their primary aim is community benefit rather than personal gain. This is enforced through the [“community interest test.”](#) regulated by the Office of the Regulator of Community Interest Companies.

There are many reasons why an organisation might choose to set up as a CIC, such as:

- They are more flexible than charities, especially when it comes to trading;
- They can distribute profits to shareholders, while charity trustees cannot personally profit from the organisation;
- All profits in a charity must be reinvested into the charitable cause.

However, despite being quicker and easier to set up than charities, CICs are expected to generate the bulk of their income through trading activities. While some funders may offer grants for start-up costs or to trial new ideas, they typically won't provide funding for ongoing activities.

Some CIC directors have told us they are finding it increasingly difficult to access grant funding, many are reconsidering their initial decision to set up as a CIC and exploring whether a charitable model might be a better fit.

In addition to having greater access to grants and funding, CIC's may wish to convert as charities also benefit from several tax reliefs and exemptions and are more widely recognised by the public, leading to higher levels of trust and greater volunteer engagement.

If you are considering converting your CIC into a charitable company or a Charitable Incorporated Organisation (CIO), [more guidance is available](#). At Durham Community Action, we are happy to discuss your options and support you throughout the conversion process, if you decide this is the right route for you.

If you want to know more about how charities and CIC's can trade, please keep an eye on our website and social media for the next Boost your Income through Trading Workshop.