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## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations amend the Community Interest Company Regulations 2005 (S.I. 2005/1788) (“the 2005 Regulations”).

The 2005 Regulations contain a “share dividend cap” for community interest companies (“CICs”). This share dividend cap creates a maximum amount of dividend that can be paid per share as a percentage of the paid up value of the share. Regulations 2 to 5 and 7 amend the 2005 Regulations to remove the share dividend cap.

Regulation 1 provides that the changes made by these Regulations come into force on 1 October 2014 and the new provisions regarding payment of a dividend by a CIC apply to dividends declared or proposed to be declared on or after 1st October 2014, regardless of when they are paid.

Regulation 20 of the 2005 Regulations allow a CIC to roll over unused dividend capacity for up to four financial years if it has not declared the full dividend available under the share dividend cap. With the removal of the dividend cap, this is otiose and so regulation 20 of the 2005 Regulations is revoked by regulation 6 of these Regulations.

Regulation 8 substitutes a new regulation 27 for regulation 27 in the 2005 Regulations. The new regulation 27 removes the requirement for a CIC to include in its community interest company report details of dividends paid or unused dividend capacity carried over in the four years preceding the year to which the report relates. Such information is no longer required to be made public as a consequence of the removal of the share dividend cap.

A regulatory impact assessment of the effect that this instrument will have on the costs to business and the voluntary sector is available from the Business Environment Directorate, Department for Business, Innovation and Skills, 1 Victoria Street, London SW1H 0ET or from [www.gov.uk/bis](http://www.gov.uk/bis) and is annexed to the Explanatory Memorandum which is available alongside the instrument at [www.legislation.gov.uk](http://www.legislation.gov.uk).