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STATUTORY INSTRUMENTS

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**2005 No. 1788**

**The Community Interest Company Regulations 2005**

**PART 6**

**Restrictions on distributions and interest**

**Initial level and subsequent variation of dividend caps and interest cap**

**22.**—(1) Subject to paragraph (3)—

- (a) the share dividend cap shall be that percentage of the paid up value of a share in a relevant company which is 5 percentage points higher than the Bank of England's base lending rate;
- (b) the aggregate dividend cap shall be 35 per cent of a relevant company's distributable profits; and
- (c) the interest cap shall be that percentage of the average amount of a community interest company's debt, or the sum outstanding under a debenture issued by it, during the 12 month period immediately preceding the date on which the interest on that debt or debenture becomes due (determined in accordance with Schedule 4) which is 4 percentage points higher than the Bank of England's base lending rate.

(2) For the purposes of paragraph (1), the Bank of England's base lending rate is the base lending rate most recently set by the Monetary Policy Committee of the Bank of England in connection with its responsibilities under Part II of the Bank of England Act 1998.

(3) The Regulator may from time to time, with the approval of the Secretary of State, set a new share dividend cap, aggregate dividend cap, or interest cap.

(4) A new cap set under paragraph (3)—

- (a) shall not take effect from a date less than three months after it is published; and
- (b) subject to paragraphs (5) to (7), may result in a change to both the level of any cap and the way in which it is expressed.

(5) The share dividend cap must be expressed as a percentage of the paid up value of the shares to which it applies.

(6) The aggregate dividend cap must be expressed as a percentage of distributable profits.

(7) The interest cap must be expressed as a percentage of the average amount of a debt, or the sum outstanding under a debenture, during the 12 month period immediately preceding the date on which the interest on that debt or debenture becomes due (determined in accordance with Schedule 4).

(8) The Secretary of State may from time to time require the Regulator to review any cap set under this regulation.