

**Briefing note:  
BC 'hybrid' corporate structures, for social enterprise**

**Disclaimer:**

This is a general note only, and is not intended as a substitute for professional legal and accounting advice.

Opinions expressed in this document (when not otherwise referenced) are those of the writer. All website hyperlinks were active when accessed in April 2025.

**Abstract:**

**Benefit Companies and Community Contribution Companies (C3s)  
in British Columbia**

This document supplies information about Benefit Companies and Community Contribution Companies (or 'C3s') in British Columbia.

It outlines the unique characteristics of these hybrid legal structures, which were designed to support social enterprises<sup>1</sup>. Examples of active C3s and Benefit Companies are given, along with links to a few sample impact reports.

C3s, available since 2013, combine business operations with community purposes, featuring dividend caps and asset transfer restrictions to ensure that corporate resources benefit society. C3s might be thought of as existing in the 'space' between businesses and non-profits / charities.

Benefit Companies, introduced in 2020, embed social purposes into their corporate framework, promoting public benefits and encouraging conducting business responsibly: without the asset locks or dividend caps of the C3. Benefit Companies might be thought of as an option for traditional business to formally entrench its practices beyond profit-making, and exercise social impacts beyond corporate social responsibility, within a formal yet relatively flexible framework.

Both structures require the online publication of narrative annual impact reports in order to boost public accountability and transparency.

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<sup>1</sup> We espouse [Social Enterprise Council of Canada](#)'s definition of social enterprise. Businesses that sell goods or services in the marketplace, social enterprises have a social, cultural, and/or environmental purpose; and they reinvest the majority of their profits or surplus to maximize their social mission.

Each of the two structural options are embedded within the existing BC *Business Corporations Act*<sup>2</sup>, and as such, are taxable entities requiring an annual filing of a T2 Corporation Income Tax Return. Additionally (as is the case with any BC company), a BC Annual Report must be filed within two months of its anniversary date of incorporation, signaling that the company remains active.

Both the C3 and the Benefit Company can be launched new<sup>3</sup>, or transitioned from an existing 'traditional' corporation.

Benefit Companies and C3s are commonly referred to as 'hybrid' structures, as they are generally considered to represent a 'blend' of business and community practice.

### **By the numbers: active entities**

At time of writing<sup>4</sup>, there are 904 active Benefit Companies, and (only) 64 active C3s<sup>5</sup>, despite the C3 option being available for seven years longer (and Benefit Companies having been introduced during the early days of the COVID-19 pandemic – that is, with comparatively less fanfare and amid societal and economic uncertainty).

The uptake of C3s stalled in 2020: the year in which the Benefit Company option was introduced. Because transition from a C3 to a Benefit Company is somewhat fraught (details below), it's more likely that newcomers to the hybrid space, once the choice was available, have consistently chosen to launch Benefit Companies (or convert existing traditional companies) rather than adopting the C3 option.

### **Origins: the BC social enterprise hybrids**

To date, there are no federal hybrid structures for social enterprise in Canada.

**Community Contribution Companies** were introduced in British Columbia in July 2013, following consultations within the BC non-profit sector. The provincial government had sought input on modernization and other needs within the sector generally. Some respondents who were engaged in social enterprise activity articulated

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<sup>2</sup> In the BC *Business Corporations Act* ('BCA'), [Part 2.2](#) is devoted to C3s, while [Part 2.3](#) covers Benefit Companies.

<sup>3</sup> BC Government (BC Registry Services) webpage links: [to incorporate a Benefit Company](#) and [to incorporate a C3](#)

<sup>4</sup> Per OrgBook BC, accessed online March 30, 2025.

<sup>5</sup> Total C3s ever incorporated number 119. With slightly over half of that total now active, C3s are said to have a relatively high 'churn' rate. Notably, 17 of the total C3s ever incorporated are connected to a single company and its founder; while an additional 4 C3s are connected to a single individual (Tam, 2021, page 14). Of the 55 C3s no longer active, 40 were struck from the record due to failure to file, while 15 dissolved voluntarily (tally taken April 18, 2025). It's common practice for a company to cease Annual Report filings when it intends to dissolve, but it's unknown what proportion of the 'failure to file' dissolutions fall into this category.

a need for a specially-designed legal framework in which to house social enterprises, which could inject clarity, public awareness, and legitimacy into their practices<sup>6</sup>.

Among the examples presented by the sector to government as a best practice was the UK's Community Interest Companies (CICs, pronounced colloquially as 'kicks'), which were introduced in 2005. Over 10,000 CICs were registered within the first decade of their availability<sup>7</sup>.

Although many characteristics of the C3 echo those of the CIC (e.g. limited company, with asset locks, dividend caps, annual impact reporting, and a 'community interest test'), the CIC had more of a 'leg up' from the start. Unlike the C3, the CIC was launched in the UK with:

- ✓ Great fanfare and promotion
- ✓ Targeted public awareness campaigns
- ✓ Special financing streams for the structure
- ✓ A publicly-known advocate / spokesperson (in celebrity chef Jamie Oliver)
- ✓ Structure-specific networking and support groups
- ✓ A government regulator (and associated stand-alone department)

In contrast, the C3:

- ✓ Was introduced with low or no government budget to promote or educate
- ✓ Has no associated funding support
- ✓ Largely relies on the sector to 'self-police' in terms of compliance
- ✓ Has very limited government budget or bandwidth to regulate

The C3 launch caused confusion, with some expecting it to be more 'charity-like', i.e. tax exempt, and perhaps even with the ability to provide tax-deductible receipts in exchange for donations. Others believed that in order to be 'recognized' as a bona fide social enterprise, they were *required* to form a C3.

C3s are sometimes said to be a 'solution to a British problem'. The CIC's UK originator has remarked that the CIC was developed in the face of a growing threat of privatization of what had historically been community-held entities (e.g. in the healthcare and housing sectors).

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The BC Green party introduced a bill in 2018, to include provisions for **Benefit Companies** within the existing BC *Business Corporations Act*. Benefit Companies became available for incorporation in the summer of 2020.

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<sup>6</sup> The author participated in this process; interacted with the BC Government framers of the C3 as the BCA adaptations were being drafted; and designed and delivered in-person training on the C3 just before it was introduced as an option.

<sup>7</sup> As of December 2024, there were 32,624 UK CICs registered. The latest annual report of the regulator is [here](#). The BC Government generates no such public reporting on its own hybrids.

Benefit Companies are inspired by the American hybrid called the Benefit Corporation. Introduced in the state of Maryland in 2010, the option is now available in most US states, and a few countries.

Benefit Companies are sometimes said to be a 'solution to an American problem'. In the US, case law had established that directors of companies must place 'maximizing shareholder value' (or profit) ahead of other considerations and interests (e.g. employees, community, culture, environment)<sup>8</sup>. In Canada, the case law suggests that directors in fact have considerations beyond profit generation, as they owe a duty to the *company* rather than its *shareholders*<sup>9</sup>. And in Canada, *any* corporation can amend its constating documents to reflect other priorities, thereby 'baking in' its reason for being within an existing 'traditional' corporation.

### **The details: Community Contribution Companies**

'To justify its existence, the C3 model must demonstrate its relevance as an alternative organizational form. Establishing legitimacy is especially important for the C3 in its infancy, because doing so minimizes its risk of an early organizational death.' – Lee, page 21 (2015)

'By becoming a [C3], [the shareholder(s)] essentially agree to tie their own hands and agree that they're not going to be using their income for non-community purposes.'<sup>10</sup> – The Honorable Kevin Falcon

'By leaving some of its most critical aspects – namely, the purposes, priorities, and outcomes – loosely defined, the C3 model exhibits itself as seriously wanting in its ability to establish itself as a legitimate alternative to existing organizational forms'. – Lee, page 25 (2015)

Particularly as the C3 is a taxable corporation (taxed at regular federal and provincial corporate rates), it's clear that this structure can be used to do business, and generate profits: elements that are not so expressly permitted for Canadian charities and Non Profit Organizations (NPOs).

A C3 is instantly identifiable by its legal name, which must either contain 'CCC' or 'Community Contribution Company'.

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<sup>8</sup> A good summary of this issue is in the section called 'US Influence and Controversy' in this 2022 [web post](#) by law firm DLA Piper.

<sup>9</sup> The key Canadian case law includes *Peoples Department Stores Inc. (Trustee of) v. Wise* (2004) and *BCE Inc. v. 1976 Debentureholders* (2008).

<sup>10</sup> <https://www.leg.bc.ca/hansard-content/Debates/39th4th/H0425pm-05.pdf> at ~15:11.

A C3 must have its commitment to a specific community purpose (or multiple purposes) codified in its corporate articles<sup>11</sup>. This Community Purpose Statement is a formal expression that signals a departure from Corporate Social Responsibility (i.e. shifting from 'we direct a [small] percentage of our profits to [this cause]', to 'we *exist* for [this cause] and we are accountable for demonstrating these benefits'.

The legislation defines 'community purpose' broadly, as 'without limitation, a purpose of providing health, social, environmental, cultural, educational or other services'. Purposes can be changed or added over time by way of special resolution.

The legislation defines the beneficiaries of the purposes as 'society at large' or 'a segment of society that is broader than the group of persons who are related to the [C3]'

At least three directors oversee the C3<sup>12</sup>, and are legislated to 'act with a view to the community purposes of [the C3]'. Irrespective of the number of directors, the C3 can have one or more shareholders.

The C3 contains a 40% cap (or maximum limit) on dividends paid out to investors<sup>13</sup> and other distributions to shareholders, to enable more capital to remain within the social enterprise: to flow unfettered to qualified entities such as charities, and to generate social impacts within the C3 itself.

Stated another way, the C3 directs at least 60% of its annual profits towards its stated social objectives. These resources can flow inward<sup>14</sup> (the C3 itself undertakes the

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<sup>11</sup> Specifically, 'This company is a community contribution company, and, as such, has purposes beneficial to society. This company is restricted, in accordance with Part 2.2 of the BC *Business Corporations Act*, in its ability to pay dividends and to distribute its assets on dissolution or otherwise.' BCA, 51.911 (1). This statement references that it has community purposes, plus a dividend cap, and asset locks.

<sup>12</sup> This requirement is aligned with those of public companies, BC Societies, and co-operatives, which also require a minimum of three directors.

<sup>13</sup> Some further points related to the dividend cap:

- ✓ It follows that this payout limitation could have a chilling effect on potential equity investments in the C3.
- ✓ 'Unused' dividends from prior periods (i.e. when previous payouts fall below the cap) can be rolled forward for use in subsequent years.
- ✓ A C3 can further restrict dividends in its articles. 40% represents the highest permitted dividend payout.
- ✓ An interest cap was initially also envisioned by the BC drafters (based on the UK CIC model), but this did not come to pass. The UK CIC launched with a 4% cap which was then increased to 10% above the Bank of England's base rate, as the CIC faced an investment chill with the lower cap. Currently, UK CICs have a 20% interest cap on performance-related interest payments. These details evolve over time through updated regulation.
- ✓ The dividend cap does not apply to shares held by qualified entities. See footnote 15.

<sup>14</sup> CRA defines a 'business expense' as a cost associated with earning business income. There is some question about whether costs associated with supporting a C3's community benefits can serve as

community-impact activity) or outward (the C3 can direct its resources to community-based agencies to do the good works). As such, the C3 contains built-in 'circuit breakers' to limit the personal enrichment of its shareholder(s), and returns to certain investors (i.e. those that are not qualified entities – see footnote 15 for definition).

In addition to the dividend cap, C3 assets generally cannot be transferred out except in the regular course of business (paying expenses and debts), if sold for fair market value, or in support of the C3's purposes. This is a type of 'asset lock'.

Upon dissolution, at least 60% of the remaining assets must be distributed to a qualified entity<sup>15</sup>, ensuring that these resources are preserved for social impacts. This is another type of 'asset lock'.

An annual **Community Contribution Report**<sup>i</sup> is required to be generated and posted online for public access (and placed in the C3's corporate record book) on or before each Annual General Meeting.

The report outlines how the C3 has manifested its social, cultural, or environmental aims during the period (in alignment with the impact focuses that are embedded within the C3's articles of incorporation), while publicly disclosing its financial statements, and specifics on higher-paid staff positions, plus significant asset transfers.

This report must be approved by the directors.

There is no 'form' or suggested format for the report. It doesn't need to be submitted to any government body such as the BC government, or the Canada Revenue Agency.

Here are some examples of active C3s:

- ✓ [Buy Social Canada CCC Ltd.](#) – education, promotion, and certification of social enterprises (Vancouver)
- ✓ [CleanStart Property Services CCC Inc.](#) – property management services / employment and training focus (Vancouver)
- ✓ [Do Some Good Community Contribution Company Inc.](#) – fundraising and promotional platform for community organizations
- ✓ [Purppl Community Enterprise Accelerator CCC Inc.](#) – social impact and social enterprise consultancy (Kelowna)
- ✓ [Urban Matters CCC Ltd.](#) – social planning and community development consultancy (Kelowna)

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expenses to reduce taxable income. C3 practitioners take varied stances, commonly treating the impact-related costs as tax-deductible expenses. The same grey area applies to Benefit Companies.

<sup>15</sup> Qualified entities include registered charities, BC Societies (excluding member-funded), [qualified donees](#), and [community service cooperatives](#). Companies (including C3s and Benefit Companies) are not qualified entities. The specific qualified entity (or entities) designated to receive the assets upon a C3's dissolution can be named in the articles, or in a later resolution.

Samples of C3 Community Contribution Reports<sup>16</sup>:

- ✓ [Purppl](#) (45-slide deck)
- ✓ [Urban Matters](#) (10-page PDF)

## The details: Benefit Companies

A Benefit Company must include a 'benefit statement'<sup>17</sup> in its corporate articles, signaling its commitment to public benefits and responsible business practices.

The public benefits (which are also outlined in the articles and are referred to as a 'benefit provision') must have a positive effect on a group of people, communities, organizations, or the environment<sup>18</sup>. The possible benefits are diverse, including impacts that may be artistic, charitable<sup>19</sup>, cultural, economic, educational, environmental, literary, medical, religious, scientific, or technological.

Unlike C3s, Benefit Companies are not subject to asset locks or dividend caps, which provides greater flexibility in asset accumulation and transfers, and profit distribution. For these reasons, Benefit Companies would likely be more attractive to investment, as compared to C3s.

The Benefit Company structure may attract entrepreneurial individuals and investors seeking greater returns, while still supporting social purposes.

As distinct from a C3, the Benefit Company's legal name does not contain an identifying component demonstrating that it's a Benefit Company.

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<sup>16</sup> Because of the 'light touch' regulation of the C3, it's suspected that the majority of C3s do not post their legally mandated Community Contribution Reports on their websites. Tam's article (see recommended reading), suggests that C3 operators are knowingly not generating or posting these reports in the face of limited government guidance and oversight. Compliance in this area seems to be the exception rather than the norm. Yet these reports are generally viewed as the C3's key public accountability assurance mechanism. The same issue seems to be the case with the public posting of the Benefit Company's Benefit Report.

<sup>17</sup> Specifically, 'This company is a benefit company, and, as such, is committed to conducting its business in a responsible and sustainable manner and promoting one or more public benefits.' BCA, 51.992 (1).

<sup>18</sup> The Benefit Company legislation contains an interesting nuance as compared to that of C3s. While the C3 defines 'community purpose' as connected to human benefit (much as charity law does), **the Benefit Company definition of 'public benefit' supports the environment as a 'recipient' of those benefits.** A Benefit Company could elect to adopt a 'public benefit' solely directed at positively impacting the environment: 'public benefit means a positive effect... for the benefit of (b) the environment, including air, land, water, flora and fauna, and animal, fish and plant habitats'. BCA, 51.991 (1).

<sup>19</sup> Canadian organizations with solely charitable purposes are technically compelled to apply for charitable status. A Benefit Company with charitable purposes would presumably have additional (i.e. non-charitable) purposes.

Similar to C3s, Benefit Companies must produce an annual Benefit Report.

Particular to Benefit Companies, they must assess their impact performance against an established third-party standard (examples include [B Impact assessment](#), the [Global Reporting Initiative](#), [People and Planet First](#), and the [Sustainability Accounting Standards Board](#)).

The results are reported annually, within the Benefit Report.

In effect, this added feature 'solves' a C3 issue identified by Lee: 'The C3 would be better served if policy makers were attentive to the need for clarity in shaping its parameters and defining the criteria against which it should be assessed.'<sup>20</sup>

A 'menu' of possible third-party impact measurement standards for a Benefit Company to choose from is not provided by government.

The Benefit Report is intended to enhance public accountability and confidence, ensuring that the company is genuinely committed to its social mission, and making related impacts. The requirement for the Benefit Company to adopt an independent standard as its 'impacts measuring stick' places more robust attention on impact measurement than the C3, which does not have such a requirement.

As is the case with C3s, this report must be posted on the company's website<sup>21</sup>, but is not filed with the provincial government or CRA.

Where C3s can be launched by a single shareholder but require at least three directors, the Benefit Company can be held and directed by a single individual. More than one shareholder or director are permitted.

Directors of Benefit Companies must adhere to 'Benefit Company Duties' to 'act honestly and in good faith to (i) conducting the business in a responsible and sustainable manner, and (ii) promoting the public benefits specified in the company's articles' (BCA, 51.913 (1)(a)). These duties are balanced against 142(1) which is the core BCA Fiduciary Duty: acting 'with a view to the best interests of the company'.

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<sup>20</sup> Lee, page 25 (2015).

<sup>21</sup> The Benefit Report is intended to serve as a critical mechanism for providing assurance that the business is transparent, credible, and committed to their specific mission(s). Low compliance in generating and posting these reports could presumably shake investor, employee, and public confidence in the Benefit Company structure. Although a fine of up to \$5,000 for non-filing is articulated in BCA S428(1), for both the C3 and the Benefit Company, it's not clear how or whether these offences are monitored or enforced. Reputational risk to a Benefit Company that is non-filing could remain low (as compared to other Benefit Companies), if non-filing (without repercussion) is normalized.

A Benefit Company can revert to a regular company by altering its articles to delete the Benefit Statement and Benefit Provision. A special resolution must be passed to this effect. Shareholders are vested with a remedy to formally dissent to either adopting the Benefit Statement and Provision, or deleting them.

Unlike the C3, no assets are mandated to flow to qualified entities, upon a Benefit Company's dissolution. In other words, these can be distributed for private benefit.

There can be confusion between the similarly named Benefit Companies and [B Corporations](#). The latter is a certification program (launched in 2006 in the US, but now available to Canadian companies), while the former is a BC legal structure (and a focus of this document).

The two are tethered together, in that B Lab (the originator of the B Corp certification program) was a key influencer for the adoption of the American [Benefit Corporations](#). Any B Corporations certified in Canada<sup>22</sup> are strongly encouraged to migrate to the Benefit Company legal structure if it is available within their province of operation.

To confuse matters further 😊, B Lab's [B Corporation standards](#) are one of the third-party impact measurement systems that can be adopted by a Benefit Company.

For greater detail, see the glossary listed [here](#), which defines:

- Benefit Company (BC)
- Benefit Corporation (US)
- Benefit Report (requirement of Benefit Companies)
- B Corporation (certification program)
- B Corporation standards (specific impact measurement approach)

Here are some examples of active Benefit Companies:

- ✓ [Cove Continuity Advisors Inc.](#) – insurance consultants (Vancouver) – chosen impact standards unclear
- ✓ [Humanity Financial Management Inc.](#) – accountants focused on the social purpose sector (Burnaby) – uses B Lab impact standards
- ✓ [PortaLaw Corporation](#) – employment and human rights legal services hub (Vancouver) – uses B Lab impact standards
- ✓ [Watson Advisors Inc.](#) – Board advisory firm (Vancouver and Toronto) – uses B Lab impact standards

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<sup>22</sup> The [Western Canada B Corp chapter website](#) references 552 Canadian B Corps, 196 of which are based in in Western Canada. B Corps are affiliated with a *certification program*, rather than being a specific legal structure.

Samples of Benefit Reports:

- ✓ [Cove Continuity](#) (dedicated webpage, reporting year unclear; good example of clearly articulated and detailed intended public benefits)
- ✓ [Humanity Financial](#) (34-page PDF, 2023 is latest year of reporting)
- ✓ [PortaLaw](#) (dedicated webpage: 2022 is latest year of reporting)
- ✓ [Watson Advisors](#) (16-page PDF, 2024 is latest year of reporting)

### **The fine print: links**

Community Contribution Company – [legislation](#)  
Community Contribution Company – [regulations](#)

Benefit Company – [legislation](#)

### **Comparing the BC hybrids against community (tax exempt) structures**

Contrasted against charities and NPOs, C3s and Benefit Companies:

- ✓ Are not limited by their structure, in scale or type of business activities
- ✓ Are taxed on profits
- ✓ Can access a broader range of finance instruments
- ✓ Can issue shares to entities and people (including for equity investment)
- ✓ Can pay out dividends to shareholders / investors
- ✓ Can host mixed ownership (e.g. shares owned by individuals, companies, charities, etc.)

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Charities operating unrelated businesses must operate the social enterprise in a corporate subsidiary. A traditional corporation is normally chosen, but the hybrids are also possible containers of these ventures.

[NPOs have stricter rules for profit generation](#), as compared to charities. In cases where it's possible for an NPO to operate a profit-generating venture, corporate vessels to hold the activity include the traditional corporation, or either hybrid.

The C3 might seem 'closer' to community practice than the Benefit Company, so may represent the most attractive choice of the two hybrid options, for charities and NPOs.

More information about structural limits for charities and NPOs operating social enterprises can be found [here](#).

## Comparing the BC hybrids against the traditional BC corporate structure

	<b>Community Contribution Company (BC)</b>	<b>Benefit Company (BC)</b>	<b>'Traditional' corporation (BC)</b>
Legislation	<a href="#">Part 2.2</a> within BC <i>Business Corporations Act</i>	<a href="#">Part 2.3</a> within BC <i>Business Corporations Act</i>	BC <i>Business Corporations Act</i>
Available since	2013	2020	1866 <sup>23</sup>
Active companies <sup>24</sup>	64	904	~580,000
Public awareness	Low	Low	High
Identifying naming convention ('corporate designation')	Must contain 'CCC' or 'Community Contribution Company' in addition to standard suffix of Incorporated, Corporation, or Limited (or an abbreviation)	Must contain standard suffix of Incorporated, Corporation, or Limited (or an abbreviation)	Must contain standard suffix of Incorporated, Corporation, or Limited (or an abbreviation)
Formation conditions	New or migrate from traditional corporation	New or migrate from traditional corporation	n/a
Transition <u>from</u> traditional corporation <u>to</u> hybrid	Permitted with the unanimous consent of the shareholders <sup>25</sup>	Permitted with a passed special resolution of the shareholders	n/a
Transition <u>to</u> traditional corporation <u>from</u> hybrid	Possible: <u>but</u> must leave 60% of its assets to a qualifying entity	Possible: shareholders can exercise their dissent rights when the transition is proposed	n/a
Cost to incorporate: DIY	\$350	\$350	\$350

<sup>23</sup> British Columbia Companies Ordinance.

<sup>24</sup> As of April 18, 2025.

<sup>25</sup> From [BC Government press release, July 2013](#).

	<b>Community Contribution Company (BC)</b>	<b>Benefit Company (BC)</b>	<b>'Traditional' corporation (BC)</b>
Cost to incorporate: using a lawyer	Marginally more than standard incorporation: to enshrine purposes in constating documents	Marginally more than standard incorporation: to enshrine purposes in constating documents; and identify third-party impact measurement system	Standard incorporation is marginally less than the hybrids; cost varies by location, expertise, firm of choice: generic support is less expensive than specialized support
Taxation	Corporate rates	Corporate rates	Corporate rates
Tax return filing	T2	T2	T2
Annual Report filing	Required	Required	Required
Special funding	None	None	n/a
Barriers to investment	Dividend cap Asset locks	None comparable to C3	None comparable to C3
Ability to generate tax-deductible donation receipts	No	No	No
Impact report	Community Contribution Report	Benefit Report	n/a
Publication of impact report	On company website	On company website	n/a
Codification of purposes in constating documents	Community purpose statement	Benefit statement and benefit provision	Possible
Minimum number of shareholders	One	One	One
Minimum number of directors	Three	One	One

	<b>Community Contribution Company (BC)</b>	<b>Benefit Company (BC)</b>	<b>'Traditional' corporation (BC)</b>
Fiduciary duty	Directors and officers must balance the duty to act in the best interests of the company, with a view to the community purposes set out in the company's articles	Directors and officers must balance the duty to act in the best interests of the company, with the commitment to responsible business practices, and promoting public benefits	Canadian case law suggests that directors and officers should act in the interest of the company, with an eye to impacts on other stakeholders: specifics can be codified in the company's articles
Measuring impact	Not specified, no benchmarks	Must adopt third-party standard	No reference
Asset locks	Yes, 60% to remain in the active C3 for impact activities; or directed to qualified entities only, upon dissolution	No	No
Dividend cap	Yes, 40% of annual profit: can be less if desired	No	No

**Why choose a hybrid?**


Both C3s and Benefit Companies could present advantages for social enterprises in British Columbia.

C3s provide a structured approach, with specific requirements for community benefits and financial reinvestment; while Benefit Companies offer greater flexibility than the C3, and entrench stakeholder responsibilities beyond profit-making, while measuring impacts against an independent standard.

These structures legitimize the integration of social purposes into for-profit operations. They might also have the potential to assist stakeholders and the broader public to 'differentiate good deeds from merely good marketing'<sup>26</sup>.

<sup>26</sup> This phrase is borrowed from [a 2012 paper on US Benefit Corporations](#).

Common reasons for adopting these structures are listed below in the left column. Many are expectation-based, rather than reflecting the context in which the hybrids currently operate.

<b>Common rationale for choosing a BC hybrid structure</b>	<b>The current context</b>
Incorporating a hybrid is the only legal way to 'be a social enterprise'	<p>Generally speaking, any legal structure can house a social enterprise.</p> <p>There are limits within the tax-exempt options.</p>
Tax savings or exemptions	Because embedded within the existing BC <i>Business Corporations Act</i> , the hybrids exist and operate within the same tax regime as traditional BC corporations.
Access to special funding (grants and loans)	<p>There are no grants dedicated to the hybrids.</p> <p>There may be some potential to attract social financing (repayable) with the hybrids, as compared to traditional companies.</p>
Promotional benefits: public awareness of the 'brand'	<p>Generally speaking, the public is unaware of the hybrids.</p> <p>There is greater public recognition of B Corp certification (which is <u>not</u> a legal structure), and its associated trademark:</p> 
Ability to quantify and benchmark social impacts	<p>The C3 has no articulated means of measuring impact, leaving room for greater subjectivity and possible 'halo effects' in reporting.</p> <p>The Benefit Company closes the C3's impact measurement gap by requiring the selection of a third-party measurement standard, with results reported annually.</p>

<b>Common rationale for choosing a BC hybrid structure</b>	<b>The current context</b>
Added accountability to stakeholders with respect to impacts beyond profit-making, through the mandated reporting	Potentially a strong point.  Due to low enforcement and resulting non-compliance of posting the annual impact reports, the power of the reporting mechanism as an instrument of legitimacy is dulled. This may also contribute to abstention of well-suited ventures to adopt the hybrid options.
Ability to entrench impact-related purposes in constating docs	Technically correct.  However, a traditional Canadian corporation can do the same.
Being part of the community of BC hybrids	B Corp certification does a better job in this regard (and strongly suggests Benefit Company incorporation for BC members).  Social enterprise certification program <a href="#">Buy Social Canada</a> is inclusive of all legal structures <sup>27</sup> .

**Parting words**

‘Legal structure is not necessarily determinative of missions and methods – small, privately-held companies with well-defined articles can function well as vehicles for [social enterprise]...’ – Lee, page 23 (2015)

The C3 was crafted with legislative and regulatory guardrails that curb private enrichment: namely the dividend caps and asset locks. For these reasons, the C3 may possibly be viewed as too constrained for investment attraction.

C3s demonstrate low uptake, and high churn. Incorporations of C3s stalled once the Benefit Company option became available.

C3 incorporation is a ‘one-way street’ in the sense that the decision to shift to a traditional corporation (or adopting the Benefit Company model) would result in 60% of the C3 assets being transferred to qualifying entities. Upon C3 dissolution, a new corporation would be formed.

<sup>27</sup> Buy Social Canada requires that the majority of the venture’s profits are directed to its social purpose(s), regardless of structure.

'Test-driving' a Benefit Company is much lower-risk. It can revert back to a traditional corporation by way of a passed special resolution. The company remains intact and merely sheds its Benefit Company features. That said, shareholders are permitted to dissent to this decision.

The Benefit Company requirement to choose a third-party impact measurement standard adds benchmarking assurance that is absent in the C3.

Neither hybrid option comes with corporate tax relief, special financing, public awareness, or widespread sectoral understanding.

Both hybrids are regulated by the provincial government, which has no or low dedicated resources to actively engage in the role.

- ✓ 'Upside': no known follow-up on impact reporting and no known associated enforcement actions (i.e. levying of fines) are being undertaken for reporting non-compliance.
- ✓ Downside: possible eroded accountability-related value, connected to lack of government oversight.

Although they contain similar features, neither BC hybrid bears close comparison to its more successful counterparts in the UK and the US (in terms of legal need and scale of uptake). The foreign precedents were intended to 'solve problems' that do not exist in the Canadian context. Unlike the BC models, the foreign hybrids are buoyed by solid government support for growth, education, promotion, and compliance.

### **A deeper dive: recommended reading**

Our own webpages on [Community Contribution Companies](#) and [Benefit Companies](#).

Ashton, Adrian, *20 years of the [UK] CIC* (~2024). Stir to Action article, available [here](#).

BC Ministry of Finance, *New business option empowers companies to give back* (June 2020). Online press release on Benefit Companies available [here](#).

Fitzpatrick, Sarah G., *Hybrid organizations: The Canadian landscape* (September 2022). The Philanthropist Journal article, available [here](#).

Goepel, Watson, *The new B.C. 'benefit company': Meaningful marketing tool or hollow political posturing?* June 2020 corporate website post available [here](#).

Lee, Angela, *Vague, Voluntary, and Void: A Critique of the British Columbia Community Contribution Company Hybrid Model* (January 2015). 48:1 UBC Law Review 179-220, available for download [here](#).

MacLeod, Andrew, *Taking Care of Business? Experts call new BC law a gift to corporations* (June 2019). The Tye article, available [here](#).

Tam, Chiyi, *Social Enterprise as Building Back Better: A Review of Community Contribution Companies* (April 2021). Current Issues Paper: Graduate Planning Program at the Department of Geography and Planning, University of Toronto, Available [here](#).

As an international best practice: UK Government's [CIC guidance](#) and [CIC Regulator website](#).

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<sup>i</sup> The full detail on the Community Contribution Report requirements from Section 9 of the [C3 regulations](#) is here:

**Community contribution reports**

- 9 (1) The directors of a community contribution company must disclose, in the community contribution report required in relation to the company's most recently completed financial year,
- (a) the remuneration and position held of each person whose remuneration during that year was at least \$75,000, or, if there are more than 10 persons whose remuneration during that year was at least \$75,000, the remuneration and position held during that year of each of the 10 most highly remunerated persons,
  - (b) the financial position of the company in that year by attaching to the report the financial statements prepared in relation to that year,
  - (c) the following information about dividends declared in relation to shares of classes or series of shares referred to in section 5:
    - (i) for each of those classes and series of shares, the aggregate amount of the dividends declared in that year in relation to shares of that class or series of shares;
    - (ii) the identity of all entities that hold or beneficially own shares of that class or series of shares, and
  - (d) the following information about dividends declared in relation to shares to which section 4 applies:
    - (i) the total amount of all dividends declared in that year in relation to those shares;
    - (ii) the unused dividend amounts under section 4 (1) (b), if any, taken into account in determining the total amount of all dividends declared in that year in relation to those shares;
    - (iii) the difference between the amount referred to in subparagraph (i) and the amount referred to in subparagraph (ii), and what percentage of the community contribution company's profit for that year that difference constitutes.
- (2) For the purposes of section 51.96 (2) (f) (i) of the Act, the amount prescribed for a transfer of all money and other assets transferred to a single transferee during a financial year, whether by way of one or more than one transaction in that financial year, is \$10,000.

<sup>i</sup> Because of the 'light touch' regulation of the C3, it's suspected that the majority of C3s do not post their legally mandated Community Contribution Reports on their websites. Tam's article (see recommended reading), suggests that C3 operators are knowingly not generating or posting these reports in the face of limited government guidance and oversight. Compliance in this area seems to be the exception rather than the norm. Yet these reports are generally viewed as the C3's key public accountability assurance feature. The same can be said for Benefit Companies.

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**About the writer:**

Stacey Corriveau is the founding Executive Director of the [BC Centre for Social Enterprise](#). Launched in 2005, the virtual organization (composed of a charity + an NPO) provides social enterprise assistance to groups across Canada, with a particular focus on what we refer to as 'the structure shop': legal structures and tax classifications for social enterprises.

Stacey's background spans small business counselling, bookkeeping and accounting, community economic development (CED), non-profit governance, charity compliance, and sustainable community development.

Her latest areas of focus are [Work Integrated Social Enterprises](#) (WISEs); and social acquisition: purchasing an existing business or a franchise, and 'converting' it to a social enterprise, rather than building one from scratch.