

Social Investment Tax Relief

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How SISR Developed

- Cabinet Office Analysis
 - Tax system disincentivises investment into social enterprises
 - SEIS / EIS / VCT for investment into mainstream SMEs
 - Gift Aid for charitable giving
 - Ringfence = ‘regulated social sector organisations’
 - Charities / CICs / community benefit societies
 - Need for long-term risk capital for social enterprises
- HM Treasury Analysis and Consultation in 2013
- SISR introduced in Finance Act 2014
- Received Royal Assent in July

Future Development of SITR

- HM Treasury Consultation on SITR on indirect investments
- 2015 – SITR expected to be available on indirect investments
- State Aid clearance
 - Currently de minimis only
 - €200,000 = €344,827 can be raised
 - Approved scheme
 - Increased investment limit
- £480m of investment over 5 years
 - New investors
 - New deal products and deal structures
 - Better terms for social enterprises

Basic Outline

- Tax relief for individuals only
 - 30% of value of investment deducted from income tax – up to £1m
 - capital gains disposal relief / capital gains rollover relief
- Qualifying investee social enterprises
 - Independent entity
 - Less than 500 FTE employees / £15m of assets
 - Trading requirement and excluded activities
- Qualifying investment
 - New ordinary shares
 - Unsecured and subordinated debt
- Rules to prevent conflicts of interest or abuse
 - No value from enterprise / less than 30% interest / no SEIS/EIS/CITR
 - Restrictions on employees and directors

Process for Obtaining SITR

- Administered by HMRC Small Company Enterprise Centre
 - Provides a non-statutory advance assurance service
 - Social enterprise submits details of plans to HMRC
 - Assurance as to whether equity / debt issue is likely to qualify for relief
 - Will require provision of accounts, details of all trading and other activities, business plan / IM, subscription agreements, Articles
- Social enterprise submits an SITR Compliance Statement
 - Enterprise can only apply for formal approval having carried out the relevant qualifying trade for at least 4 months
 - An online process
- Enterprise receives authority to issue SITR Compliance Certificates
- Investors claim relief from HMRC as part of self-assessment process

SITR Developments to Watch

- Co-investment
- Quasi-equity instruments
- Model agreements
- Risk allocation
- Rates of return
- Sectors and structures

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