# Engaging with social investment tax relief

**General Features**

01 July 2015

CIOT seeks clarification on SITR issues

The last meeting of the CIOT's Technical Committee discussed social investment tax relief (SITR) and in particular whether the time is right for the Technical Team to increase its efforts in this area. This follows the government announcement in the autumn statement 2014 and Budget 2015 to expand the scheme. The answer was a clear 'yes' and we have already made contact with HMRC to seek clarification on issues that are causing uncertainty in practice.

There follows a brief summary of SITR and the work we have done so far. If you are aware of any issues with SITR, email us at technical@ciot.org.uk.

**An overview of SITR**

SITR was introduced in FA 2014 to complement other government initiatives to encourage private investment in social enterprises.

Briefly, an individual making an eligible investment can benefit from:

1. income tax relief at 30% on the cost of the investment;
2. CGT deferral relief where proceeds from chargeable disposals are used to fund the investment; and
3. relief from CGT should the investment give rise to a gain.

As you would expect, several conditions apply to the social enterprise, the investment and the investor.

In summer 2014, the government consulted on proposals for the expansion of SITR. This was followed, at autumn statement 2014, by the announcement that the

government would be seeking state aid clearance for changes to the rules, not least a significant increase in the cap on SITR investment received by the social enterprise. The government hopes that these changes will increase the take-up of SITR.

**What we have done**

As a first step, we have made contact with the SITR team at HMRC's Small Enterprise Centre and raised some questions about application of the rules. One centred on the no pre-arranged exits requirement (at ITA 2007 s 257LB(1)). We became aware that this caused uncertainty when the investment included an 'event of default' clause. We have made HMRC aware of this and have asked them to make their views known. We will update members on developments in this area in future bulletins of Technical Newsdesk.