

Expansion of the Social Investment Tax Relief

Draft legislation for the expansion of the SITR has now been published, and is to be included in Finance Bill 2017. A link can be found at <https://www.gov.uk/government/publications/draft-legislation-income-tax-relief-for-social-investments>.

SITR was introduced in 2014. The amounts which can be invested are relatively small, as the scheme has to meet the requirements of de minimis State aid. The Government has sought EU State aid clearance for an enlarged SITR scheme, and the proposed changes are principally to meet State aid obligations. The draft legislation proposes that from 6 April 2017:

Investment limits

The amount of investment that a social enterprise, which is less than seven years old, can raise through SITR will increase to £1.5 million.

For older social enterprises the limit will remain at about £250,000 over 3 years, subject to a lifetime limit of £1.5 million.

Excluded activities

The following further activities will no longer be qualifying trades for SITR purposes:

- asset leasing;
- on-lending to other social enterprises;
- receipt of royalties and licence fees;
- nursing homes and residential care homes; and
- generation of power or production of fuel.

At the Autumn Statement it was announced that the Government intends to introduce an accreditation system to allow investment in nursing homes and residential care homes to qualify for SITR in the future.

Unlike the SEIS, EIS and VCT tax reliefs, there appears to be no carve-out for trades which have created their own intellectual property and receive royalties or licence fees from that intellectual property.

Employees

The limit on full-time equivalent employees will be reduced to fewer than 250 (previously 500).

Previous investments

Similar to the EIS, investors are not eligible for SITR relief if immediately before their investment they hold an investment in the SITR company, other than the original subscriber shares in the company, or an investment which has or will be included on an SITR compliance statement.

This is a summary only, and based on the draft legislation, which may be amended.

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