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# A quick guide to the Social Investment Tax Relief

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# What is the Social Investment Tax Relief (SITR)?

Social Investment Tax Relief (SITR) is a tax relief that enables individuals to reduce their tax bill by investing in charities, Community Interest Companies (CICs), community benefit societies (Bencoms) and Social Impact Bonds. This quick guide is aimed at charities and CICs.

Investors can choose to claim up to 30% relief against their income tax bill or to defer capital gains tax. Gains on investments made with SITR are exempt from capital gains tax after three years.

# What types of investments are eligible for SITR?

There are a number of requirements that charities and CICs need to meet in order to be eligible for SITR investments.

The most important are:

- Charities and CICs wanting to use SITR cannot have more than 500 employees or hold more than £15m in gross assets (e.g. property or shares owned in other companies).
- The relief may *only* be used to carry out a 'trade', for example, delivering a recycling service for a local community. It cannot be used for property development or community energy projects that attract feed-in tariffs. [A full list of excluded activities is included in HMRC's guidance.](#)
- All investment raised must be used for the trade within 28 months following the investment.
- In order for loans to qualify for SITR they have to have an element of *risk* – so they cannot be secured on property or have any repayment guarantees or fixed returns.
- Loans must also not offer more than a commercial rate of return (although they can ask for less than this) and repayment of these loans may not take priority over any other loans the charity has.
- Your charity or CIC must have been trading for at least four months.

## How does SITR work?

For example, Margaret provides £100,000 in loans for The Really Environmental Charity to develop a recycling service for a local community. Margaret is now able to get £30,000 in income tax relief (30% of £100,000). Her income tax liability was £45,000 – but because of her SITR relief, she now only has to pay £15,000 (£45,000 minus £30,000).

The Really Environmental Charity now has £100,000 to invest in its recycling services for the local community over the next 28 months – potentially at a lower rate of interest, because Margaret has already received £30,000 in tax relief for making the loan.

## How much can you raise through SITR?

Currently, each charity or CIC will be able to raise £275,000 over three years through SITR.

However, the government has announced that it will be asking the EU to raise this limit to £5m per year per organisation, up to a maximum of £15m. This will come into effect once clearance has been given.

### How much 'state aid' have you received?

SITR is a tax relief aimed specifically at charities and CICs, this means that it counts towards 'state aid'. When calculating the amount that you can raise through SITR, you must take away any 'state aid' applicable grants from public sector organisations (or publicly funded institutions such as the Big Lottery Fund. For example, if your organisation has received a £50,000 grant from Public Body A which is not exempted from state aid rules, then you must reduce the amount you can receive through SITR by £50,000.

## How do I claim SITR?

Organisations can contact HMRC before receiving an investment to discuss whether a proposed investment is eligible for SITR. HMRC will advise you on whether the investment is eligible.

Once your organisation has received investments through SITR, it should then apply to HMRC for approval. Once HMRC has given approval, your organisation will be given a form to pass onto investors who can then claim the tax relief.

Full guidance from HMRC on the application process can be read [here](#).

### Remember to keep HMRC informed about any changes

Once investment into your organisation has been approved for SITR by HMRC, you must inform HMRC if there are any changes to your organisation or the investment that may affect your eligibility within 60 days.

## Useful links and documents

- [Cabinet Office, HMRC and HM Treasury – Social Investment Tax Relief Factsheet](#)
- [HMRC – Social Investment Tax Relief Guidance](#)
- [HMRC – Social Investment Tax Relief claiming process](#)
- [HMRC – Social Investment Tax Relief guidance for investors](#)
- [CIC Regulator – Chapter 7: Financing Community Interest Companies](#)