

# 9 STEPS TO ELIGIBILITY

In order to be eligible for SITR, investments must satisfy certain criteria:

| No. | Question     | The investee organisation is eligible if it:   |
|-----|--------------|--|
| 1   | Legal status | Is a registered charity, Community Benefit Society or Community Interest Company <b>AND</b>  |
| 2   | Size         | Has less than 250 employees <b>AND</b><br>Less than £15m assets <b>AND</b>   |
| 3   | Activities   | Does not undertake any excluded activities, including: energy generation, property development, lending, leasing, operating or managing nursery homes or residential care homes, receiving royalties or license fees |

  

| No. | Question      | The investment is eligible if:   |
|-----|---------------|--|
| 4   | Type          | It is either shares <b>OR</b> debt that is: <ul style="list-style-type: none"> <li>- Not secured by any assets <b>AND</b></li> <li>- Does not repay the principal in first 3 years <b>AND</b></li> <li>- Is not preferred to any other investment instruments on wind-up <b>AND</b></li> </ul>   |
| 5   | Size          | For social enterprises that receive their first SITR investment no later than 7 years after their first commercial sale, the tax relieved amount is a lifetime raise of £1.5 million. Other social enterprises can raise a tax relieved amount of £290,000 (approximate calculation) over a rolling 3 year period (but are subject also to the £1.5m lifetime cap) |
| 6   | Other relief  | It has not received tax relief already (through EIS or VCT) on the same investment   |
| 7   | Existing debt | The money raised using the tax relief is not used to pay off existing loans  |

  

| No. | Question  | The investor is eligible if:   |
|-----|-----------|--|
| 8   | Investor  | It is an individual paying tax in the UK <b>AND</b> <ul style="list-style-type: none"> <li>- Does not have a material interest, and is not connected by virtue of employment or office <b>AND</b></li> <li>- Does not hold any existing investments in the social enterprise other than certain subscriber shares or investments for which you have claimed SITR or EIS or SEIS tax relief <b>AND</b></li> </ul> |
| 9   | Structure | The investor invests either directly <b>OR</b> Through a nominee fund  |

## RESOURCES & INFORMATION

### Charities and social enterprises already using SITR:

#### FC United of Manchester



People invested because they wanted to be part of something that will influence and change lives in North Manchester

Andy Walsh, General Manager, FC United of Manchester

#### FareShare South West



Social Investment Tax Relief has enabled us to grow quickly and support an ambitious plan

Jacqui Reeves, CEO, FareShare South West

To find out more about Social Investment Tax Relief visit:  
[www.bigsocietycapital.com/SITR](http://www.bigsocietycapital.com/SITR)

Big Society Capital Limited is registered in England and Wales at Companies House number 07599565

Our registered office is: New Fetter Place, 8-10 New Fetter Lane, London EC4A 1AZ

Big Society Capital is authorised and regulated by the Financial Conduct Authority with reference number 568940



## AN ESSENTIAL GUIDE TO SOCIAL INVESTMENT TAX RELIEF



Social Investment Tax Relief (SITR) is a new tax break designed to encourage individuals to invest in charities and social enterprises.

In this leaflet you will find:

- A simple explanation of SITR and what it can be used for
- 9 steps to eligibility
- Key information for charities and social enterprises, professional advisers and investors



## SOCIAL INVESTMENT TAX RELIEF HAS ENABLED US TO EXPLORE NEW AND INNOVATIVE WAYS OF TACKLING IMPORTANT SOCIAL ISSUES

Mark Simms, Chief Executive, P3

### CHARITIES & SOCIAL ENTERPRISES



SITR may enable your organisation to raise new investment to support your trading services. It could provide routes to investment which offer better value and could potentially be less costly than other sources of investment.

#### Key things to know:

- Investment must come from individuals who do not have a material interest, are not employees or trustees, and at the point of investment do not hold any existing investments in your organisation other than certain subscriber shares or investments for which the individual has claimed SITR or EIS or SEIS tax relief
- Investment can be used to subscribe for shares or make a loan which needs to be in place for a minimum of three years
- Money can only be used to support a 'qualifying' trading activity
- There are caps on the amount of money that can be raised using SITR
- Money raised using SITR must be spent within 28 months of receipt
- Your organisation must submit a compliance statement within two years to HMRC in order to claim SITR for your investors

[www.bigsocietycapital.com/sitr-charities](http://www.bigsocietycapital.com/sitr-charities)

SITR has been introduced to encourage new investment into charities and social enterprises and levels the playing field with regards to tax reliefs currently available to more traditional business.

### PROFESSIONAL ADVISERS



SITR may enable the organisations you work with to raise smaller amounts of investment in a more cost effective way. SITR may be attractive to new investors who are interested in supporting the creation of social impact.

#### Key things to know:

- There is a restriction on the types of social enterprise governance structures that are eligible to use SITR
- A pre-assurance process is available from HMRC and takes between six to eight weeks (advisable)
- Some activities are restricted and are not covered by SITR. It is therefore important to ascertain that the trading activity qualifies before proceeding
- Subsidiary companies must also follow the eligibility criteria for SITR and must be a 90% social subsidiary of its parent
- SITR can be used in the creation of Social Impact Bonds, but will need to meet Cabinet Office accreditation around 'social purpose', delivering a 'social impact contract' and where a minimum of 60% of payments must be tied to delivering outcomes

[www.bigsocietycapital.com/sitr-advisers](http://www.bigsocietycapital.com/sitr-advisers)

SITR can be used to help access certain types of **debt and equity finance** from **individual investors** by offering:

**30%** income tax relief

It is available for investments made on or after 6 April 2014 and is modelled on the existing Enterprise Investment Scheme.

### INVESTORS



SITR may enable you to gain personal tax reliefs which include income tax at 30% of the amount you invest, capital gains tax-free disposal and hold-over relief.

#### Key things to know:

- You may not invest as part of a tax avoidance scheme
- Investments, whether shares or debt, need to be held for a minimum of three years
- You as the investor and the social enterprise as an investee will need to qualify for SITR throughout the period of your investment
- You must not own more than 30% or have a material interest in the social enterprise you invest in and at the point of investment you cannot hold any existing investments in the social enterprise other than certain subscriber shares or investments for which you have claimed SITR or EIS or SEIS tax relief.
- You must not become an employee, trustee or director or invest in a social enterprise with which you or your relatives have a direct relationship
- SITR applies immediately from the point of your investment
- The social enterprise you invest in will need to provide you with a compliance certificate in order for you to evidence your entitlement to claim SITR

[www.bigsocietycapital.com/sitr-investors](http://www.bigsocietycapital.com/sitr-investors)