



NEWS RELEASE
City of London Corporation

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Tax relief could generate £480m in social investment

Extending existing tax reliefs to encompass social investment could generate up to £480m of new investment for the sector over the next five years, according to new research commissioned by the City of London Corporation and Big Society Capital.

The Role of Tax Incentives in Encouraging Social Investment – prepared by Worthstone with assistance from Wragge & Co LLP – finds that adapting existing tax reliefs that cover venture capital and philanthropy to also encompass social investment would help to meet the current gap between supply and demand of appropriate capital for the sector.

Specifically, such an incentive could encourage individuals to invest in the equity, equity-like or unsecured debt instruments required by social enterprises as the market matures. Key principles that would need to underpin such a tax relief include: a tight definition of eligibility, a focus on risk-bearing capital, and a focus on individuals as investors.

Nick O'Donohoe, CEO of Big Society Capital, said:

“The Government has already actively supported the development of the social investment market in the UK. By a simple change, which would give social investments a similar tax treatment to that which venture capital enjoys, the Government can stimulate a significant amount of extra investment that will help social enterprises across the UK.”

Mark Boleat, Policy Chairman at the City of London Corporation, said:

“As the social sector develops, there is a clear need to create an investment climate conducive to meeting fast-increasing demand for risk and growth capital. Tax reliefs have helped attract considerable amounts of mainstream venture capital and could prove similarly effective if adapted to apply to social investment. The estimated impact of opening up social investment to existing reliefs would play a crucial role in underpinning the continued success of social enterprises.”

Recent evidence from social enterprise and business survey data shows social sector business delivering resilient performances in the tough economic environment and providing much needed support for more economic deprived areas of the UK. A recent report by the Boston Consulting Group (BCG) found that demand in the social investment market in England could reach £1bn by 2016, five times what it is today. In this first attempt to establish the future size of the social investment market, BCG found that more government contracts, private consumer spending, and corporate social investment will be directed toward charities and social and community enterprises than ever before, and as a result, the demand for capital in the social sector could grow at a rate of 38% per annum.



The City of London Corporation is committed to advancing the social investment agenda. It hosted the inaugural Social Investment Academy event at Guildhall last week (26 February) to inform and equip independent financial advisers interested in finding out about social investment. In recognising the undercapitalisation of the social investment sector, the Corporation has also recently established a £20m social investment fund. This fund will play its part in building a thriving social investment market by making both direct and indirect investment focusing principally in London, but also interested in opportunities across the UK and internationally.

Notes to editors

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About the City of London Corporation

The City of London Corporation provides local government and policing services for the financial and commercial heart of Britain, the 'Square Mile'. In addition, the City Corporation has three roles: (1) we support London's communities by working in partnership with neighbouring boroughs on economic regeneration, education and skills projects. In addition, the City of London Corporation's charity City Bridge Trust makes grants of more than £15 million annually to charitable projects across London and we also support education with three independent schools, three City Academies, a primary school and the world-renowned Guildhall School of Music and Drama. (2) We also help look after key London heritage and green spaces including Tower Bridge, Museum of London, Barbican Arts Centre, City gardens, Hampstead Heath, Epping Forest, Burnham Beeches, and important 'commons' in south London. (3) And we also support and promote the 'City' as a world-leading financial and business hub, with outward and inward business delegations, high-profile civic events, research-driven policies all reflecting a long-term approach. See www.cityoflondon.gov.uk for more details.

About Big Society Capital

Big Society Capital is the world's first social investment bank. BSC formally launched in April 2012, with an estimated £600 million of equity to be paid-in over 5 years, of which £400 mn will be from unclaimed assets left dormant in bank accounts for over 15 years and £200 mn from the UK's largest high street banks.

BSC seeks to support the growth of a social investment market in the UK by revolutionising the way in which the social sector is funded. Through supporting the growth of social investment finance providers, BSC will improve access to innovative forms of financing, and connect the sector to capital markets.



About Worthstone

Worthstone is the original independent specialist to be focused exclusively on delivering social investment support to the wealth advice community. We were established to help to bring the social investment sector to maturity within the UK by introducing the mechanism through which this emerging asset class can be incorporated within mainstream financial planning and wealth advice.

About Wragge & Co LLP

Wragge & Co LLP is a UK-headquartered international law firm providing a full service to clients worldwide. We are one of the leading UK advisers on venture capital schemes (VCT, EIS, and SEIS) and are committed to our Corporate Responsibility Programme across four focus areas: community investment, supporting our people, engaging with our external partners and addressing our impact on the environment.