



GET
SITR

Social Investment Tax Relief



WHAT IS SOCIAL INVESTMENT TAX RELIEF?

1. What is it?
2. Why do we need it?
3. What can you use it for?
4. Who can use it?
5. Where do I get the money from?

What is Social Investment Tax Relief?





What is it?



It's a way in which social enterprises can raise funds by way of investment, and offer their investors tax relief

Designed to help fill the “funding gap” for social enterprises

Works like this:

Individual invests money into a **social enterprise** by way of **shares** or **debt**

Individual claims **tax relief** on the amount invested

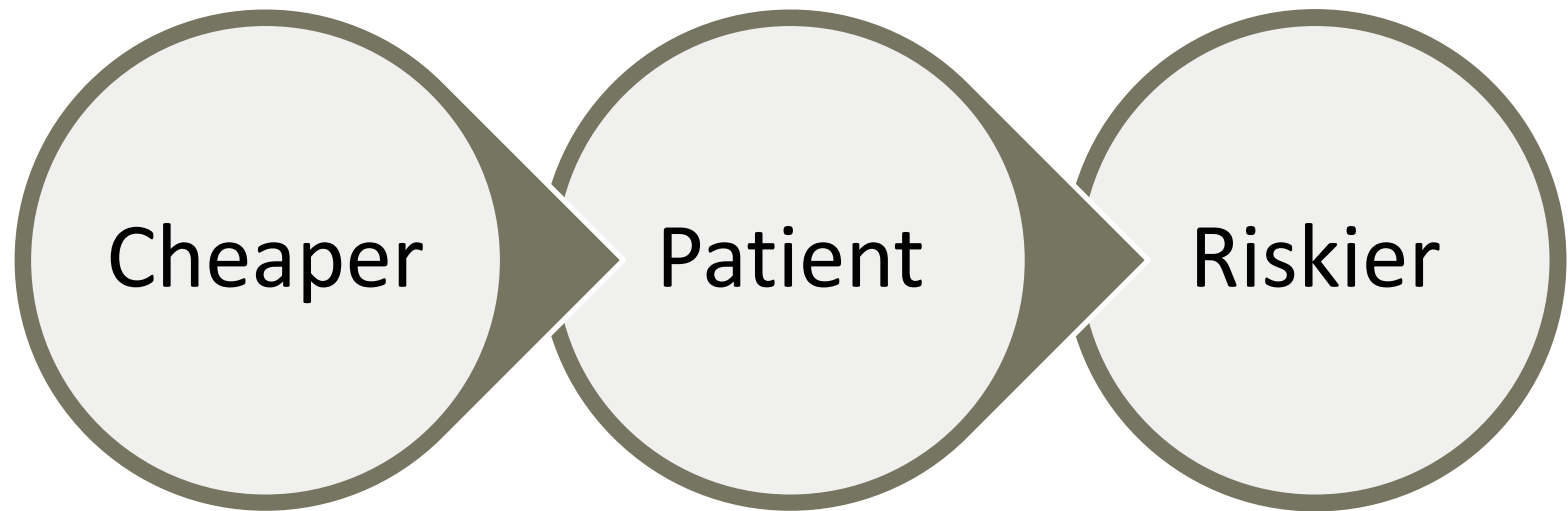
The social enterprise applies the funds in a **trading activity**

After **three years** (or longer) the investment is sold or repaid



What do VCSE organisations really, really want??

DEMAND FOR SMALLER DEALS Over half (51%) of social enterprises are seeking finance under £100,000, and over two-thirds (68%) below £250,000.



UNDER PRESSURE: Cash flow is one of the top three barriers for social enterprises of all types, and demand for working capital remains high (42%), indicating a continuing pressure on margins and business models.



Who Can Use it?

- **Charities** – can be a trust or a company
 - **Community Interest Companies** – by share or guarantee
 - **Community Benefit Societies** – not be a social landlord
 - **Accredited Social Impact Contractor**
a special purpose vehicle that will issue social impact bonds to raise finance for a particular project
- Has less than 250 employees AND Less than £15m assets



How much can you raise?



Two Tier System


Eligible organisations more than 7 years old

- £290K in any rolling three year period.
- Any “de minimis” State Aid received by the social enterprise during the previous three years (including any previous Sitr funding) will count towards that £290K limit

Eligible organisations less than 7 years old

- £1.5m under Sitr over its lifetime
- Any “risk finance state aid” previously received by the social enterprise will count towards that £1.5m limit.

Essential Guide to SITR



**GET
SITR**

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

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 AND
2	Size	Has less than 250 employees AND Less than £15m assets AND
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 licence fees.

No.	Question	The investment is eligible if:
4	Type	It is either shares OR debt that is: - Not secured by any assets AND - Does not repay the principal in first 3 years AND - Is not preferred to any other investment instruments on wind-up AND
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 £250,000 (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 AND - Does not have a material interest, and is not connected by virtue of employment or office AND - 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 AND
9	Structure	The investor invests either directly OR 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

Big Society Capital Limited is registered in England and Wales at Companies House number 07509565

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The Naughty List!

MUST BE USED TO SUPPORT A TRADING ACTIVITY

Any **trade** can be supported with Sitr except:

- **Dealing in land**, commodities or futures or in shares, securities or other financial instruments
- Banking, insurance, money lending debt-factoring, hire-purchase finance or other financial activities including **refinancing existing loans**
- **Property development**
- **Energy**
- **Leasing, licensing and assets on hire**
- **Agriculture and fishery**
- Road freight transport
- Providing services or facilities to another business where that other business would not qualify for Sitr

PROFIT THROUGH PURPOSE

INVESTING FOR IMPACT

HOW CAN SITR SOCIAL INVESTMENT HELP YOU?

Anne Woolhouse
Investment Manager



CHALLENGE ACADEMY

Dudley | £150,000



Resonance West
Midlands Sitr Fund



Activity

Use outdoor facilities to develop crucial soft skills

Impact

Specialist interventions for disadvantaged groups

Need

Low ropes and classrooms

PROFIT THROUGH PURPOSE

THE JERICHO FOUNDATION

Birmingham | £100,000



Resonance West
Midlands Sitr Fund



Activities

Construction, Reusers, wood recycling...

Impact

Supporting people to become fulfilled, skilled and employed

Need

Working capital; refurbishment and updated sales system

PROFIT THROUGH PURPOSE

24/7

Bristol | £150,000



Resonance Bristol
SITR Fund

Activity

Online newsletter and monthly printed magazine, celebrating Bristol

Impact

Offering training and work experience in journalism for young people from disadvantaged backgrounds

Need

New software and training



PROFIT THROUGH PURPOSE

DISMANTLING

POVERTY THROUGH INVESTMENT
IN SOCIAL ENTERPRISE



Resonance North West
SITR Fund



PROFIT THROUGH PURPOSE

THREE WAYS TO RAISE SITR INVESTMENT

3 ways to raise SITR investment



- Loans
- Social Impact Bonds



SITR FUND

Managed by a social impact investor

- Loans
- Equity



PLATFORM

Supported by a crowdfunding or peer-to-peer lending platform

- Loans
- Equity
- Social Impact Bonds



DIRECT / DIY

Investors are found directly by the organisation

What type of capital can Sitr raise?



UNSECURED
loan or equity

FLEXIBLE

Negotiate terms
acceptable with
your investors



PATIENT

3-year window
before repayments
start on the capital
borrowed



RISK is OFFSET

Cost of finance subsidised
with a tax relief for investors



Find out if your organisation is eligible to use Sitr



How Do you Find Out More ?



WATCH



READ



RESPOND

Open consultation

Social Investment Tax Relief: call for evidence

Summary

We are seeking the views of organisations and individuals on how the Social Investment Tax relief has affected access to finance for social enterprises.

This consultation closes at
11:59pm on 17 July 2019



PROCEED

