

Social Investment Tax Relief

- What: a tax relief for investors in social enterprise. The main relevance will be income tax relief but capital gains tax relief is also available
- When: investments made after 6 April 2014 – the Finance Bill will contain the relevant provisions and is expected to be law in July 2014
- Qualification: an unsecured loan or shares in a trade conducted with a view to profit. 'Social Enterprise' includes Charities and Community Interest Companies. The loan or shares must be held for 3 years.
- Amount of relief: 30% tax relief is available on a maximum annual investment by an individual investor of £1,000,000. Each social enterprise can offer up to about £290,000 in any 3 year period.

How might this help Arts Organisations?

- If an Arts Organisation which is a charity has one or more potential investors (as opposed to donors) who might invest in the Charity then this support can be tax deductible (though the relief is less than for charitable donations). There is also the potential to make profit.
- A charitable arts organisation could seek to fund productions through SITR – though unlike usual Angel investments the funds (and any returns) are retained for 3 years. Please note Angel Investments are not generally tax deductible except to the extent losses can be set against profits.
- A charitable arts organisation can also seek to raise investment for capital projects such as a new bar or refurbishment of a theatre. The loan could offer investors a small share of box office or profits from the new bar.

The key is to identify people who may prefer to invest rather than to give.

SITR has a structure similar to Enterprise Investment Schemes but the great advantage is that it can apply to loans and not issues of shares, and so is much simpler to set up and administer.

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