**EXPLANATORY MEMORANDUM TO**

**THE TAX RELIEF FOR SOCIAL INVESTMENTS (ACCREDITATION OF SOCIAL IMPACT CONTRACTOR) REGULATIONS 2014**

**2014 No. 3066**

**1.** This explanatory memorandum has been prepared by HM Revenue and Customs ("HMRC") and is laid before the House of Commons by Command of Her Majesty.

## 2. Purpose of the instrument

2.1 The instrument supplements the primary legislation in Part 5B of the Income Tax Act 2007 relating to social investment tax relief. It defines the conditions which must be met for a social impact contractor company to receive accreditation by a Minister of the Crown, in relation to a relevant contract which the company has entered into. The accreditation allows individual investors to be eligible to claim social investment tax relief in respect of their investment.

2.2 The instrument also makes provision about procedural matters in relation to the accreditation process.

## 3. Matters of special interest to the Select Committee on Statutory Instruments

None

## 4. Legislative Context

4.1 The primary legislation in Part 5B of the Income Tax Act 2007 was introduced by Schedule 11 to Finance Act 2014. Part 5B provides for tax relief to be available to individual investors who make qualifying investments in certain types of entity which exist for a social purpose, as defined by the legislation. A company which has received accreditation by a Minister of the Crown in respect of a social impact contract to which it is a party is one of the types of entity which may qualify under the regime.

4.2 The primary legislation includes powers for HM Treasury to specify in regulations the criteria by reference to which the Minister of the Crown may accredit a company. The Treasury may also make regulations to provide for: notification or refusal of accreditation; publication of information about accreditations or accredited companies; the provision of annual reports by the contractor to a Minister of the Crown; notification of changes to contract and breach of conditions for approval; withdrawal of accreditation; and appeals against refusal to grant accreditation or withdrawal of accreditation.

4.3 These regulations refer to conditions found in material published on behalf of the Minister for the Cabinet Office (the Social Investment Tax Relief – Guidance Concerning

the Accreditation of Social Impact Contractors). This material will be available via a web-link address at https://www.gov.uk/government/publications/social-investment-tax-relief-accreditation-for-sib-contractors. For those without computer access, a copy of the guidance material can be obtained without charge by writing to the Centre for Social Impact Bonds, Cabinet Office, 1 Horse Guards Road, London SW1A 2HQ.

## 5. Territorial Extent and Application

This instrument applies to all of the United Kingdom.

## 6. European Convention on Human Rights

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

## 7. Policy background

The social investment tax relief regime was introduced in Finance Act 2014, with the objective of incentivising investment by individuals in qualifying social enterprises.

## 8. Consultation outcome

HM Treasury's wider consultation on social investment tax relief invited interested parties to participate in the development of the regulations. The regulations have been drafted taking into account input from those interested parties. The wider consultation on social investment tax relief can be found at https://www.gov.uk/government/consultations/social-investment-tax-relief-enlarging-the-scheme

## 9. Guidance

HMRC will publish guidance material on the effect of the new legislation in line with its existing practices for all tax legislation.

## 10. Impact

A Tax Information and Impact Note covering social investment tax relief was published on 10 December 2013 alongside the Autumn Statement and is available on the HMRC website at http://www.hmrc.gov.uk/thelibrary/tiins.htm. It remains an accurate summary of the impacts that apply to this instrument.

## 11. Regulating small business

11.1 The legislation applies to small business.

11.2 Some social impact contractor companies may be small businesses. The legislation applies to them as it applies to other social impact contractor companies. It is not anticipated that the legislation will affect those which are small businesses in a way which could be considered disproportionate.

## 12. Monitoring & review

HMRC will monitor the effect of the legislation as part of its overall monitoring of the social investment tax regime as a whole.

## 13. Contact

Alex Buckley at HM Revenue and Customs Tel: 03000 586048 or email: Alex.Buckley@HMRC.gsi.gov.uk can answer any queries regarding the instrument.