



Structuring and funding  
community interest  
projects and social  
enterprises

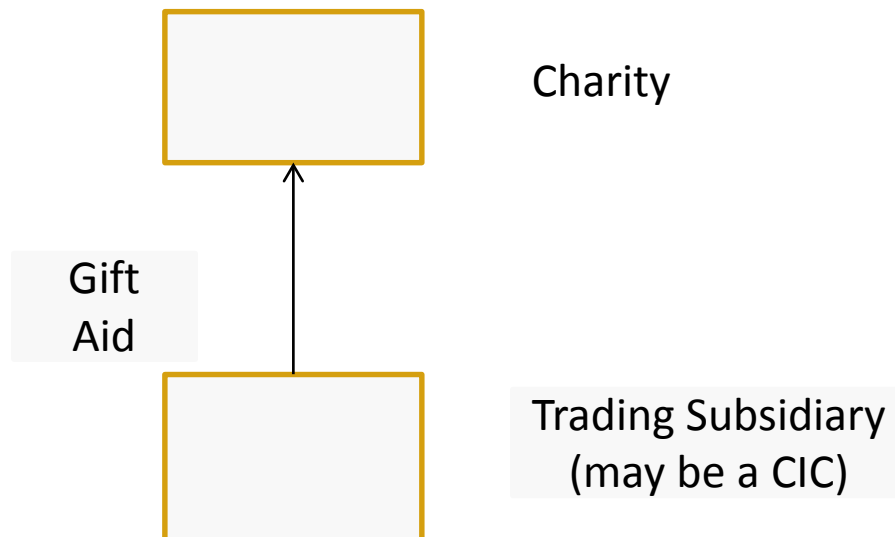
Tax implications

## Typical legal structures of social enterprises

- Trust [charity]
- Company limited by guarantee [charity]
- Community Interest Company
- Industrial and provident society
- Company limited by shares

## Charity – Structure

- Trust / Company limited by guarantee
- Trading subsidiary



## Charity Tax – Pros and Cons

- Tax Reliefs
  - Business Rates relief (Limited to 20% on non-domestic properties)
  - Gift Aid – Effective relief on trading profits
  - Investment Income
  - SDLT
- Regulation / charitable objects
- Funding
  - Donations
  - Grants
  - Debt Finance
  - Trading income
  - Equity (Not generally available to a charity)

## Community Interest Company

- Community interest test / identified with social enterprise
- Asset lock – ensures assets remain for community use
- Shares or guarantee
- Dividends cap
  - 35% of profits
  - 20% of share value
  - Carry forwards 5 years

## EIS Relief

- Shares in unquoted trading companies <£15m/£16m gross assets
- Tax Reliefs
  - Income tax – 30%
  - CGT free uplift
  - CGT deferral
  - Loss relief
  - IHT/BPR – 2 years
- Company - £5m/yr
- Individual
  - £1m/yr
  - connection test
    - 30% shareholding / profits
    - Director / employee

} 3 years

## SEIS Relief

- Shares in unquoted companies < £200,000 (before investment)
  - New trade < 2 yrs
  - Tax Reliefs
    - Income Tax – 50%
    - CGT uplift
    - CGT exemption
      - 12/13 fully
      - 13/14 – ½
- 3 years
- Company - £150,000
  - Individual - £100,000
  - EIS – 70% spent before further investment

## Social Investment Tax Relief

- Social enterprises
  - CIC
  - Community Benefit Societies
  - Charities (company or trust)
  - £15m / £16m gross assets / 500 employees
- Shares / Debt investment (unsecured, subordinated)
- Tax Reliefs
  - Income Tax relief – 30%
  - Gains on shares – exempt
  - CGT deferral
  - Investor
    - Connection test
      - 30%
      - Not employee or director
    - £1m
- Company
  - €344,827 / 3 years
  - 28 days – money employed in trade

} 3 years



## Community Investment Tax Relief

- Investments into Community Development Finance Institutions
- Accredited under CITR scheme
- Qualifying Investments
  - Securities
  - Shares
- Investments received used to fund social / community enterprises in disadvantaged areas
- Tax reliefs
  - 5% p.a. over 5 years

## FIT / ROCS

- **FIT / ROC / RHI**
  - No longer eligible for EIS / SEIS
  - Except anaerobic digestion / hydro-electric
- **SITR**
  - Excludes FIT
  - Not exclude ROC / RHI – but limited to €344,827 / 3 yrs
- **CICs and community benefit societies – excluded from restriction for FIT/ROC/RHI**
- **SEIS / EIS**
  - Reduces cost of capital for large community projects
  - Up to £5m
  - EIS compensates for the initial planning / construction risk.