Social Investment Tax Relief (SITR): guidance for Investors - how to claim tax relief

Investors who buy new shares or new qualifying debt investments in social enterprises may qualify for SITR. This applies to investments made on or after 6 April 2014.

Such investors can claim relief in respect of 1 or more of the following:

- Income Tax
- Capital Gains Hold-over relief
- Capital Gains Disposal Relief

If:

- the Social Enterprise has received HM Revenue and Customs (HMRC) approval and (as a result) the Social Enterprise has issued the investor with a Compliance Certificate for their investment
- you, as the investor, meet the relevant SITR conditions **and** the conditions relating to the specific taxes for which you are claiming relief

How and when to claim tax relief for Income Tax

You will be able to make a claim for relief up to 5 years after the 31 January following the tax year in which the investment was made (this is a longer period than most reliefs, to take account of the fact that it is partially dependent on what a social enterprise does).

If you prefer, you can ask HMRC to treat some or all of your investment as though you made it in the tax year immediately before the year you actually invested. Your tax relief will then be set against your tax liability for the earlier tax year. You can't ask us to carry an investment back to a tax year before 2014 to 2015.

The process for making a claim for Income Tax relief varies, depending on whether you complete a Self Assessment (SA) tax return every year, or have your tax deducted by your employer through PAYE and do not complete an annual tax return.

Self Assessment customers

SA customers can make a claim to SITR relief in 1 of 2 ways. You can either:

- make a claim on your Self Assessment tax return for the tax year in which you made your investment
- ask for your SA payment on account bill to be reduced to reflect any relief that is due (if you opt for this approach, you will still have to show the claim on your SA tax return, when you get it)

If you want to make a claim on your SA return, then the method you use will depend on whether you file that return on paper, or online. If you file:

- On paper, you will complete the main return (SA100) as normal, but should also complete a supplementary schedule SA101. On this supplementary schedule, you should enter the total amount of the investments you have made during the tax year then - in the additional section of the main return (box 19) - list the various social enterprises in which you have invested, along with the reference number for each (the reference numbers will be on the Compliance Certificates issued by them to you).

- Online, you won't need to complete a supplementary schedule - you will simply tick the box saying you wish to claim relief in respect of SITR, and your return will be tailored accordingly by presenting you with all the relevant boxes required to claim SITR. You will need to have the Compliance Certificates in front of you when completing the return as you will be asked to enter the details.

If the investment was made in a year for which it is too late to make or amend a SA return, you will be able to make a separate claim for any tax relief due. We will provide more details on this in due course.

If you want to reduce your payment on account, you should (if you file your SA return on paper) complete form SA303 or (if you file online) you can reduce your payment on account online.

PAYE customers who don't complete a SA return

If you do not complete a Self Assessment return, then you should write to HMRC (at the address shown on your latest notice of tax code), enclosing the Compliance Certificate(s). HMRC will then process your claim and, if your claim qualifies, will issue a new tax code to your employer.

Capital gains hold-over relief

You can defer payment of tax on a capital gain if the gain is reinvested in shares or debt investments that also qualify for SITR Income Tax relief. The investor doesn't need to have made a claim for SITR Income Tax relief.

The gain can arise from the disposal of any kind of asset but the:

- gain must arise in the period from 6 April 2014 to 5 April 2019
- SITR qualifying investment must be made in the period 1 year before or 3 years after the gain arose

If possible, you should claim capital gains hold-over relief on the tax return you use for reporting the gain which is to be relieved to HMRC (or by means of an amendment to that return). If this is not possible, for instance because the time limit for amendment has passed before you make your investment, you can make a claim in a letter to HMRC. In addition to the information necessary to make the normal return of your gain, you will need to send us a copy of the Compliance Certificate supplied to you by the social enterprise.

Please note that, if you successfully apply for the capital gain to be deferred, it will be brought back into charge when:

- you dispose of the investment
- the social enterprise stops meeting the SITR conditions (if that happens, the social enterprise will write to you to let you know)

If a gain does comes back into charge and you make a new SITR investment, you can make a new hold-over relief claim to hold-over the gain against that new investment. If you don't make a new claim, there is no automatic hold-over.

CG14250 - Computation: date of disposal: introduction

Capital gains disposal relief

If you've had Income Tax relief (which hasn't been withdrawn) on the cost of your investment, and you dispose of your investment after you've held it for at least 3 years, any gain you make on your investment is free from Capital Gains Tax. There is no need to make a specific claim for this relief - the disposal is automatically exempt.

However, please note that, in order to qualify for this exemption, the investment must first of all qualify for SITR relief for income tax (that is, you must first have made a successful claim to SITR relief for Income tax).

Your obligation to report changes

You must notify HMRC within 60 days of any of the following events which should result in the withdrawal or reduction of relief:

- you cease to be a qualifying investor
- there is a loan linked to the investment
- the shares or debt are disposed of within 3 years of the date of investment
- there is a put option or a call option over the investment
- you or an associate have received value from the enterprise

Help and support

If you need any advice about the process to adopt when claiming any of these reliefs, you should consult your professional adviser (if you have one) or contact HMRC.

Income Tax enquiries for individuals, pensioners and employees