

Community Investment Tax Relief

Contacts

Please phone:

- the number printed on page TR 1 of your tax return
- the SA Helpline on **0845 9000 444**
- the SA Orderline on **0845 9000 404** for helpsheets

or go to

www.hmrc.gov.uk

This helpsheet explains how individuals can claim tax relief under the Community Investment Tax Relief (CITR) scheme. It also gives some background information about the scheme and highlights some of the factors that may affect an investor's eligibility to make a claim. You can find more information in our Community Investment Tax Relief manual at **www.hmrc.gov.uk**

Background to the scheme

Tax relief under the CITR scheme is available to individuals or companies who invest in accredited Community Development Finance Institutions (CDFIs). This helpsheet is intended for individual investors.

A list of accredited CDFIs can be obtained from the Department for Business, Innovation and Skills (BIS). Go to **www.bis.gov.uk** and look for *Accredited* within the *Search* facility.

To qualify for tax relief the investment must be:

- a subscription for shares in, or securities of, the CDFI, or
- a loan to the CDFI, or
- a deposit with a CDFI that is a bank.

For each investment that you make under the scheme the CDFI will issue you with a Tax Relief Certificate.

Once you have received the Tax Relief Certificate, and provided that the rules of the scheme are satisfied, you can claim Income Tax relief of up to 5% of the invested amount for each of five tax years starting with the year in which the investment is made. This gives a total tax relief of up to 25% of the invested amount.

If for any year you do not have enough Income Tax liability to make full use of the relief, any unused relief will be lost.

CITR is a relief against Income Tax; it cannot be used to reduce Capital Gains Tax.

Example 1

You invest £10,000 in a CDFI on 1 June 2011. Tax relief is due on £10,000 at a rate of 5% = £500. This relief is available for the tax year 2011-12 (the tax year in which the investment was made) and for each of the next four tax years.

How to claim tax relief

You cannot make a formal claim to relief for an investment until you have received a Tax Relief Certificate from the CDFI and the tax year to which the claim relates has ended.

Enter the 'invested amount(s)' on which relief is claimed in box 3 in the 'Other tax reliefs' section on page Ai 2 of the *Additional information* pages of your tax return. The amount to be entered is the amount on which relief is claimed in respect of investments made during the tax year to which the

return relates and any investments made during previous tax years on which relief continues to be due.

Example 2

You invest £10,000 in a CDFI on 1 June 2010 and a further £5,000 on 1 June 2011. For each, investment relief is due for the tax year in which the investment is made and the following four years. The entries for each year in box 3 of the 'Other tax reliefs' section on page Ai 2 would be as follows.

2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
£	£	£	£	£	£
10,000	15,000	15,000	15,000	15,000	5,000

The amounts entered on the tax return include any amounts on which you have received relief by way of an increase in your PAYE code or a reduction in a payment on account (see below).

You do not need to send the Tax Relief Certificate with your completed tax return. But keep it safe. We may ask to see it if we make enquiries about your return. Only one Tax Relief Certificate is issued by the CDFI for each investment.

What is the 'invested amount'?

The amount of tax relief due to you under the CITR scheme is calculated by reference to the 'invested amount'. In the case of investments that are shares or securities the invested amount is the amount you subscribed.

Where the investment is a straightforward loan to a CDFI (or a deposit with a CDFI that is a bank) the invested amount will in most cases be the amount of the original advance or deposit. But if you are repaid part of the loan (or withdraw part of the deposit) during the five years following the investment, your tax relief will be reduced. This is to make sure that you do not get the benefit of tax relief on amounts that have been returned to you by the CDFI.

Whatever type of investment you have made your relief may be reduced if you receive some form of value, financial advantage or benefit from the CDFI.

Adjusting PAYE codes and payments on account

Although you cannot formally claim CITR until after the end of the relevant tax year, there are two ways you can effectively get the benefit of the relief within the current tax year. In either case you will still need to make a formal claim to relief after the tax year has ended.

- 1 If your employer deducts tax under PAYE you can write to us to ask for a change to your current year's PAYE code to include an amount to reflect the CITR that is expected to be due. This adjustment will reduce the amount of tax that is deducted under PAYE.
- 2 If you make payments on account under Self Assessment then you can write to ask for those payments to be reduced to take account of the amount of CITR that is expected to be due. Please note that if the payments on account finally due are greater than the amounts paid, interest will be charged on the difference.

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Factors affecting eligibility to claim relief

A CDFI will not issue you with a Tax Relief Certificate unless an investment satisfies the rules of the scheme as they apply to the CDFI. But there are conditions of the scheme that must be satisfied by you, the investor. These include the requirements that:

- you must be the beneficial owner of the investment
- there must be no arrangements under which you are protected from the risks that would otherwise attach to the making of the investment
- the investment must not be part of a tax avoidance scheme.

These notes are for guidance only, and reflect the position at the time of writing. They do not affect any rights of appeal. Any subsequent amendments to these notes can be found at **www.hmrc.gov.uk**