



# Income Tax Act 2007

## 2007 CHAPTER 3

### PART 7

#### COMMUNITY INVESTMENT TAX RELIEF

#### CHAPTER 1

#### INTRODUCTION

#### *CITR*

#### **333 Meaning of “CITR”**

This Part provides for community investment tax relief (“CITR”), that is, entitlement to tax reductions in respect of amounts invested by individuals in community development finance institutions.

#### **334 Eligibility for CITR**

- (1) An individual (“the investor”) who makes an investment (“the investment”) in a body is eligible for CITR in respect of the investment if—
  - (a) that body is accredited as a community development finance institution under Chapter 2 at the time the investment is made,
  - (b) the investment is a qualifying investment (see Chapter 3), and
  - (c) the general conditions of Chapter 4 are met.
- (2) In this Part references to “the CDFI” are to the body in which the investment is made.

#### **335 Form and amount of CITR**

- (1) If the investor is eligible for CITR in respect of the investment, the investor may make a claim in respect of the investment for any one or more of the relevant tax years.

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*Changes to legislation: There are currently no known outstanding effects for the Income Tax Act 2007, Chapter 1. (See end of Document for details)*

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- (2) If the investor makes a claim for a relevant tax year, the investor is entitled to a tax reduction for that year of 5% of the invested amount in respect of the investment for the year.
- (3) For this purpose the “relevant” tax years are—
  - (a) the tax year in which the investment date falls, and
  - (b) each of the 4 subsequent tax years.
- (4) The tax reduction is given effect at Step 6 of the calculation in section 23.
- (5) The investor is entitled to make a claim for CITR for a relevant tax year if—
  - (a) the investor considers that the conditions for the CITR are for the time being met, and
  - (b) the investor has received a tax relief certificate (see section 348) relating to the investment from the CDFI,
 but no claim may be made before the end of the tax year to which it relates.
- (6) Subsection (5) is subject to the following provisions—
  - (a) section 354 (loans: no claim after disposal or excessive repayments or receipts of value),
  - (b) section 355 (securities or shares: no claim after disposal or excessive receipts of value), and
  - (c) section 356 (no claim after loss of accreditation by CDFI).

### *Miscellaneous*

#### **336 Meaning of “making an investment”**

- (1) For the purposes of this Part, an individual makes an investment in a body at any time when—
  - (a) the individual makes a loan (whether secured or unsecured) to the body, or
  - (b) an issue of securities of or shares in the body, for which the individual has subscribed, is made to the individual.
- (2) The following provisions of this section apply for the purposes of subsection (1)(a).
- (3) An individual does not make a loan to a body if—
  - (a) the body uses overdraft facilities provided by the individual, or
  - (b) the individual subscribes for or otherwise acquires securities of the body.
- (4) If the loan agreement authorises the body to draw down amounts of the loan over a period of time, the loan is treated as made at the time when the first amount is drawn down.

#### **337 Determination of “the invested amount”**

- (1) This section applies for the purpose of determining “the invested amount” in respect of any loan, securities or shares included in the investment.

This is subject to sections 363(2) and 369 (which adjust “the invested amount” in certain cases where value is received).

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- (2) In the case of a loan, the invested amount is—
- (a) for the tax year in which the investment date falls, the average capital balance for the first year of the 5 year period,
  - (b) for the next tax year, the average capital balance for the second year of the 5 year period, and
  - (c) for any subsequent tax year—
    - (i) the average capital balance for the period of 12 months beginning with the anniversary of the investment date falling in the tax year concerned, or
    - (ii) if less, the average capital balance for the period of 6 months beginning 18 months after the investment date.
- (3) In the case of securities or shares, the invested amount for a tax year is the amount subscribed by the investor for the securities or shares.
- (4) For the purposes of this section, the average capital balance of the loan for a period is the mean of the daily balances of capital outstanding during the period.

### **338 Meaning of “the 5 year period” and “the investment date”**

In this Part—

“the 5 year period” means the period of 5 years beginning with the investment date, and

“the investment date” means the day the investment is made.

### **339 Overview of other Chapters of Part**

In this Part—

- (a) Chapter 5 provides for the making of claims for CITR and the attribution of CITR to investments,
- (b) Chapter 6 provides for CITR to be withdrawn or reduced in the circumstances mentioned in that Chapter, and
- (c) Chapter 7 contains supplementary and general provision.

**Status:**

Point in time view as at 21/07/2009.

**Changes to legislation:**

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