



Income Tax Act 2007

2007 CHAPTER 3

[^{F1}PART 5B

TAX RELIEF FOR SOCIAL INVESTMENTS

CHAPTER 4

ELIGIBILITY: CONDITIONS RELATING TO THE SOCIAL ENTERPRISE

Conditions relating to the social enterprise[^{F1}: general]

[^{F1}257MM] **Requirement to use money raised and to trade for minimum period**

- (1) All of the money raised by the social enterprise from the making of the investment must, no later than the end of 28 months beginning with the investment date, be employed wholly for the funded purpose.
- (2) The chosen trade must have been carried on for a period of at least 4 months ending at or after the time the investment is made and, throughout that period, the trade—
 - (a) must have been carried on by the social enterprise or a 90% social subsidiary of the social enterprise, and
 - (b) must not have been carried on by any other person.
- (3) Employing money on the acquisition of shares or stock in a body does not of itself amount to employing the money for the funded purpose.
[Employing money on the repayment of a loan does not amount to employing the ^{F2}(3A) money for the funded purpose.]
- (4) Subsection (1) does not fail to be met merely because an amount of money which is not significant is employed for other purposes.
- (5) If—

Changes to legislation: There are currently no known outstanding effects for the Income Tax Act 2007, Section 257MM. (See end of Document for details)

- (a) merely because of the social enterprise or any other company being wound up, or dissolved without winding-up, the qualifying trade is carried on as mentioned in subsection (2) for a period shorter than 4 months, and
 - (b) the winding-up or dissolution—
 - (i) is for genuine commercial reasons, and
 - (ii) is not part of any arrangements the main purpose or one of the main purposes of which is the avoidance of tax,
 subsection (2) has effect as if it referred to that shorter period.
- (6) If—
- (a) merely because of anything done as a result of the social enterprise or any other company being in administration or receivership, the chosen trade is carried on as mentioned in subsection (2) for a period shorter than 4 months, and
 - (b) the entry into administration or receivership, and everything done as a result of the company concerned being in administration or receivership—
 - (i) is for genuine commercial reasons, and
 - (ii) is not part of any arrangements the main purpose or one of the main purposes of which is the avoidance of tax,
 subsection (2) has effect as if it referred to that shorter period.
- (7) If the social enterprise is an accredited social impact contractor, the preceding provisions of this section apply with the following modifications—
- (a) in subsection (1), for “28 months” substitute “ 24 months ”,
 - (b) in that subsection, for “the funded purpose” substitute “ the carrying out of the social impact contract concerned ”, and
 - (c) omit subsections (2), (3), [F3(3A),] (5) and (6).]

Textual Amendments

- F1** Pt. 5B inserted (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 11 para. 1](#)
- F2** S. 257MM(3A) inserted (with effect in accordance with Sch. 1 para. 14(1)(2) of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 1 para. 9\(2\)](#)
- F3** Word in s. 257MM(7)(c) inserted (with effect in accordance with Sch. 1 para. 14(1)(2) of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 1 para. 9\(3\)](#)

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