

STATUTORY INSTRUMENTS

2003 No. 96

The Community Investment Tax Relief (Accreditation of Community Development Finance Institutions) Regulations 2003

PART 3

TERMS AND CONDITIONS OF ACCREDITATION

6. An accreditation is subject to the terms set out in this Part.

Commencement Information

11 Reg. 6 in force at 13.2.2003, see [reg. 1](#)

Publication of details

7.—(1) It is a term of accreditation that the CDFI agrees to the publication of the information specified in paragraph (2) in a list which the Secretary of State may publish from time to time.

(2) The information specified for the purpose of paragraph (1) is—

- (a) the name of the CDFI;
- (b) the business address of the CDFI;
- (c) the name of an individual who may be contacted at the CDFI;
- (d) the date the CDFI was granted accreditation; and
- (e) an outline of the aims and business operations of the CDFI.

(3) The CDFI must give notice to the Secretary of State of—

- (a) any change to the information specified in subparagraphs (a) to (d) of paragraph (2), and
- (b) any material change to the information specified in subparagraph (e) of paragraph (2),

within 30 days of the relevant change.

(4) The CDFI is liable to a penalty of £100 payable to the Small Business Service for each failure to notify a change to the specified information in accordance with paragraph (3) unless the Investment Director is satisfied that the CDFI had a reasonable excuse for failing to notify the change.

Commencement Information

12 Reg. 7 in force at 13.2.2003, see [reg. 1](#)

General CDFI investment terms

8. It is a term of accreditation that—

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- (a) on or before the first anniversary of the date the CDFI was first granted accreditation (“the accreditation date”), at least 25% of the amount of the investment fund is invested in relevant investments in qualifying enterprises;
- (b) on or before the second anniversary of the accreditation date, at least 50% of the amount of the investment fund is invested in relevant investments in qualifying enterprises; and
- (c) on or before the third anniversary of the accreditation date and at all times thereafter, at least 75% of the amount of the investment fund is invested in relevant investments in qualifying enterprises.

Commencement Information

I3 Reg. 8 in force at 13.2.2003, see [reg. 1](#)

Meaning of the “investment fund”

9.—(1) The amount of the investment fund at a given date (“the relevant date”) is the sum of—
 $A-(B+C)$

Here—

A is the amount of qualifying investments and investments by other CDFIs in the CDFI made on or before the relevant date and held continuously since the investment was made until the relevant date, but does not include any qualifying investments or investments by other CDFIs in the CDFI made at any time during the three months prior to the relevant date;

B is any amount payable by the CDFI at the relevant date or at any time during the three months following the relevant date to repay, redeem or buy-back the capital element of any qualifying investment;

C is the amount of any investment made by the CDFI from the investment fund which has been written-off in accordance with generally accepted accounting practice.

(2) For the purpose of paragraph (1) where a qualifying investment is a loan which authorises the CDFI to draw down amounts of the loan over a period of time, the amount of the qualifying investment is the amount drawn down at the relevant date.

Commencement Information

I4 Reg. 9 in force at 13.2.2003, see [reg. 1](#)

Meaning of “qualifying enterprise”

10.—(1) For the purposes of these Regulations an enterprise is a qualifying enterprise if—

- (a) the enterprise is a small or medium-sized enterprise;
- (b) the CDFI can demonstrate that at the time the investment in the enterprise was made the enterprise was unable to obtain finance from other sources; and
- (c) the enterprise falls within one of the following Cases.

Case 1

The enterprise is located in a geographic area identified in Annex A of the Material Concerning the Accreditation of Community Development Finance Institutions published by the Secretary of State.

Case 2

The enterprise is located in an area which the CDFI, by reference to Government-recognised measures of disadvantage relating to—

- (i) income;
- (ii) employment;
- (iii) health, deprivation and disability;
- (iv) education, skills and training;
- (v) geographical access to services, and
- (vi) housing,

can demonstrate has a level of disadvantage comparable to those identified in Annex A of the Material Concerning the Accreditation of Community Development Finance Institutions published by the Secretary of State.

Case 3

The enterprise is owned and operated by, or intended to serve, individuals recognised as being disadvantaged on account of their ethnicity, gender, age, disability or other similar defining characteristic.

(2) For the purpose of paragraph (1)(a), a “small or medium sized enterprise” shall be interpreted in accordance with paragraph 2 of Schedule 20 to the Finance Act 2000(1).

Commencement Information

I5 Reg. 10 in force at 13.2.2003, see [reg. 1](#)

Meaning of “relevant investment”

11.—(1) Subject to paragraph (4), for the purposes of these Regulations a relevant investment is an investment made by the CDFI in an enterprise where—

- (a) it makes a loan (whether secured or unsecured) to the enterprise, or
- (b) an issue of securities of or shares in the enterprise, for which the CDFI has subscribed, is made to the CDFI.

(2) For the purposes of paragraph (1)(a)—

- (a) the CDFI does not make a loan to an enterprise where—
 - (i) the enterprise uses overdraft facilities provided by the CDFI, or
 - (ii) the CDFI subscribes for or otherwise acquires securities of the enterprise;
- (b) where the loan agreement authorises the enterprise 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.

(3) For the purpose of these Regulations where a relevant investment is a loan within paragraph (2)(b) the amount of the relevant investment is the amount drawn down at a given date.

(4) The investments specified in Schedule 1 are not relevant investments.

Commencement Information

I6 Reg. 11 in force at 13.2.2003, see [reg. 1](#)

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Limits on qualifying investments

12.—(1) The CDFI must give notice to the Investment Director at least one month before entering into any arrangements or commitments with the aim of increasing qualifying investments in the CDFI to more than 125% of the amount stated in its application for accreditation (“the 125% limit).

(2) The Investment Director may approve the increase by notice to the CDFI.

(3) Where—

(a) the CDFI fails to give notice in accordance with paragraph (1), or

(b) the Investment Director does not approve the increase in accordance with paragraph (2),

the Investment Director may treat all or some of the investments made by the CDFI after the date on which the qualifying investments exceed the 125% limit as not being relevant investments for the purposes of regulation 8 up to an amount equal to the amount by which the qualifying investments exceed the 125% limit.

Commencement Information

17 Reg. 12 in force at 13.2.2003, see [reg. 1](#)

Reporting requirements

13.—(1) The CDFI must make an annual report to the Small Business Service—

(a) within three months of each anniversary of the date on which the CDFI was last granted accreditation, or

(b) subject to paragraph (2), on such other date coincident with the CDFI’s reporting cycle and agreed with the Small Business Service.

(2) The first annual report made by the CDFI must be made no later than 18 months after the date accreditation was granted.

(3) The annual report shall be in the form provided by the Secretary of State for this purpose.

(4) Subject to paragraph (5), the CDFI is liable to a penalty of £500 payable to the Small Business Service where the annual report is not made within three months of date on which it was due under paragraph (1).

(5) Paragraph (4) does not apply if in the opinion of the Investment Director the CDFI had reasonable excuse for failing to make an annual return.

Commencement Information

18 Reg. 13 in force at 13.2.2003, see [reg. 1](#)

Tax relief certificate

14.—(1) Subject to paragraph (2), the CDFI must issue a tax relief certificate to the investor or its nominee within 30 days of receiving an investment from an individual or a company.

(2) Where the investment is received before the grant of accreditation but an application for accreditation is made before 6th April 2003, the CDFI must issue a tax relief certificate within 30 days of the grant of accreditation.

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Commencement Information

19 Reg. 14 in force at 13.2.2003, see [reg. 1](#)

Changes to legislation:

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Changes and effects yet to be applied to the whole Instrument associated Parts and Chapters:

Whole provisions yet to be inserted into this Instrument (including any effects on those provisions):

- Sch. 1 para. 3A inserted by [S.I. 2008/383 reg. 10](#)
- reg. 8(1)(a) words substituted by [S.I. 2013/417 reg. 6\(a\)](#)
- reg. 8(1)(b) words substituted by [S.I. 2013/417 reg. 6\(b\)](#)
- reg. 8(1)(c) words substituted by [S.I. 2013/417 reg. 6\(b\)](#)
- reg. 8(1)(d) words substituted by [S.I. 2013/417 reg. 6\(b\)](#)
- reg. 10(2)-(4) substituted for reg. 10(2) by [S.I. 2008/383 reg. 9](#)
- reg. 12A inserted by [S.I. 2013/417 reg. 7](#)
- reg. 12A(2) words substituted by [S.I. 2016/992 Sch. para. 27\(b\)](#)
- reg. 12A(2) words substituted by [S.I. 2023/424 Sch. para. 37\(2\)\(b\)](#)
- reg. 15A-15E inserted by [S.I. 2008/383 reg. 8](#)
- reg. 15A(1) words substituted by [S.I. 2013/417 reg. 9](#)
- reg. 15B(1) words substituted by [S.I. 2013/417 reg. 10](#)