
EXPLANATORY NOTE

(This note is not part of the Regulations)

Schedules 16 and 17 to the Finance Act 2002 (c. 23) and sections 340 and 341 of the [Income Tax Act 2007 \(c. 3: “ITA”\)](#) provide for tax relief for investments made by individuals and companies in bodies which are accredited as community development finance institutions (“CDFIs”). The relief is called community investment tax relief. CDFIs are bodies which invest in enterprises for disadvantaged communities.

These Regulations amend the Community Investment Tax Relief (Accreditation of Community Development Finance Institutions) Regulations 2003 (S.I. 2003/96), which make provision for the accreditation of CDFIs. The amendments are introduced by regulation 2.

Regulation 3 amends regulation 2 (interpretation) in order to reflect recent restructuring within the newly formed Department for Business, Enterprise and Regulatory Reform (which takes over the functions of the Department of Trade and Industry and which shares the administration of community investment tax relief with Her Majesty’s Revenue and Customs) and to take into account the enactment of ITA.

Regulation 4 amends regulation 3 (criteria for accreditation) so as to take into account the enactment of ITA.

Regulation 5 makes a number of amendments in consequence of the amendments to regulation 2.

Regulation 6 amends regulation 8 (general CDFI investment terms). The amendment removes the existing requirement that at all times after the third anniversary of accreditation the amount invested by the CDFI in relevant investments in qualifying enterprises must be at least 75% of the investment fund. Instead, for each year following that anniversary, the amount so invested must be maintained at an average percentage of at least 75% of the investment fund to be calculated either in respect of each day of that year or on four selected dates within that year.

Regulation 7 amends regulation 15 (withdrawal of accreditation) so as to reflect the insertion by regulation 8 of new regulations 15A to 15E. The new regulations provide that where the conditions of regulation 8 are not satisfied or are likely not to be satisfied, the CDFI may apply for a determination that accreditation is not to be withdrawn.

Regulation 9 amends regulation 10 (meaning of “qualifying enterprise”) so as to set out the definition of “small or medium enterprise” for the purposes of that regulation.

Regulation 10 amends Schedule 1 (investments which are not relevant investments) so as to ensure that equity investments in a profit-making enterprise are not relevant investments.

A full impact assessment has not been produced for this instrument as no impact on the private or voluntary sectors is foreseen.