

2013 No. 417

INCOME TAX

CORPORATION TAX

**The Community Investment Tax Relief (Accreditation of
Community Development Finance Institutions) (Amendment)
Regulations 2013**

Made - - - - 25th February 2013

Laid before the House of Commons 26th February 2013

Coming into force - - 1st April 2013

The Treasury make these Regulations in exercise of the powers conferred by sections 340(2)(b), (4), (5) and (6) and 341 of the Income Tax Act 2007^(a).

Citation, commencement and effect

1. These Regulations may be cited as the Community Investment Tax Relief (Accreditation of Community Development Finance Institutions) (Amendment) Regulations 2013.

2. These Regulations come into force on 1st April 2013.

3. Regulations 6 to 10 and 11(3) and (4) take effect only in relation to a CDFI whose current accreditation period starts on or after 1st April 2013, and regulation 11(1) takes effect only in relation to investments made in a CDFI on or after 1st April 2013.

Amendment of S.I. 2003/96

4. The Community Investment Tax Relief (Accreditation of Community Development Finance Institutions) Regulations 2003^(b) are amended as follows.

5. In regulation 2^(c)—

(a) omit the definition of “the Director of Enterprise Environment”,

(b) before the definition of “investment”, insert—

““the first investment” in relation to an investment made in a CDFI means the first investment made in the CDFI in its current period of accreditation;”

(c) in the definition of “investment”, for “paragraph 2 of Schedule 16 to the Finance Act 2002” substitute “section 221 of the Corporation Tax Act 2010”, and

(a) 2007 c.3.

(b) S.I. 2003/96; relevant amending instruments are S.I. 2008/383 and 2009/2748.

(c) Regulation 2 was amended by S.I. 2008/383 and S.I. 2009/2748.

(d) in the definition of “qualifying investment”, for “paragraph 8 of Schedule 16 to the Finance Act 2002” substitute “section 225 of the Corporation Tax Act 2010”.

6. In regulation 8(1)(a)—

- (a) in sub-paragraph (a) for “the date the CDFI was first granted accreditation (“the accreditation date”)” substitute “the date the first investment was made in the CDFI”, and
- (b) in each of sub-paragraphs (b), (c) and (d) for “the accreditation date” substitute “the date the first investment was made in the CDFI”.

7. After regulation 12 insert—

“Notice of first investment in a CDFI

12A.—(1) A CDFI must notify the Secretary of State in writing of the date the first investment is made in the CDFI, no later than three months after that date.

(2) A CDFI that does not comply with paragraph (1) is liable to a penalty of £500 payable to the Department for Business, Innovation and Skills.

(3) But paragraph (2) does not apply if in the opinion of the Secretary of State the CDFI had a reasonable excuse for failing to comply with paragraph (1).”

8. In regulation 13(b)—

- (a) in paragraph (1)(a), for “the date on which the CDFI was last granted accreditation” substitute “the date the first investment was made in the CDFI”, and
- (b) in paragraph (2), for “the date accreditation was granted” substitute “the date the first investment was made in the CDFI”.

9. In regulation 15A(1)(c), for “the date that the CDFI was first granted accreditation”, substitute “the date the first investment was made in the CDFI”.

10. In regulation 15B(1)(d), for “the date a CDFI was first granted accreditation” substitute “the date the first investment was made in a CDFI”.

11.—(1) Schedule 1 is amended as follows.

(2) In paragraph 4(e)—

- (a) in sub-paragraph (1) omit the words “or equity investment in”, and
- (b) in sub-paragraph (3)—
 - (i) in paragraph (a) omit “or equity investments”,
 - (ii) in paragraph (b) omit “or investment”, and
 - (iii) for “shall determine which of those loans or investments shall not” substitute “shall determine which of those loans shall not”.

(3) In paragraph 9—

- (a) For sub-paragraph (a), substitute—

“(a) for the first year following the date the first investment is made in the CDFI, the date the investment is made by that CDFI, and”, and
- (b) in sub-paragraph (b) for “accreditation date” substitute “date the first investment is made in the CDFI”.

(4) In paragraph 11(1)(a)—

(a) Regulation 8 was amended by S.I. 2008/383.
(b) Regulation 13 was relevantly amended by S.I. 2008/383.
(c) Regulation 15A was inserted by S.I. 2008/383.
(d) Regulation 15B was inserted by S.I. 2008/383.
(e) Paragraph 4 of Schedule 1 was amended by S.I. 2008/383.

(a) for paragraph (i), substitute—

“(i) for the first year following the date the first investment is made in the CDFI, the date the investment is made by that CDFI, and”, and

(b) in paragraph (ii), for “accreditation date” substitute “date the first investment is made in the CDFI”.

12. In the following provisions, for “Director of Enterprise Environment” substitute “Secretary of State”—

(a) regulation 7(4);

(b) regulation 12(1), (2) and in each place in (3);

(c) regulation 13(5);

(d) regulation 15(3);

(e) regulation 16(2)(c) and (3); and

(f) paragraphs 2(2) and 4(3) of Schedule 1(a).

Stephen Crabb
Desmond Swayne

25th February 2013

Two of the Lords Commissioners of Her Majesty’s Treasury

(a) These provisions were relevantly amended by S.I. 2008/383.

EXPLANATORY NOTE

(This note is not part of the Regulations)

Part 7 of each of the Income Tax Act 2007 and the Corporation Tax Act 2010 provide for community investment tax relief for investments made by individuals and companies in any body which is accredited as a community development finance institution (“CDFI”) under the Community Investment Tax Relief (Accreditation of Community Development Finance Institutions) Regulations 2003 (“the 2003 regulations”).

These Regulations amend the 2003 regulations as follows. A new concept of the “first investment” in a CDFI is introduced (regulation 5(b)), together with a new obligation to report the date of the first investment in a CDFI (regulation 7). The CDFI’s onward lending requirements are amended so as to be calculated by reference to the anniversary of the first investment date (regulation 6). The requirement for a CDFI to report periodically on certain matters is realigned, so that the reporting date is calculated by reference to anniversaries of the first investment (regulations 8 to 10). Amendments are made to the description of some of the circumstances in which an investment made by a CDFI is not a “relevant investment” for the purpose of the onward lending requirements at regulation 8 of the 2003 regulations (regulation 11). Finally, references to “Secretary of State” are substituted for “Director of Enterprise Environment” (regulations 5(a) and 12), and legislative references to the Finance Act 2002 are updated to references to the Corporation Tax Act 2010 (regulation 5(c) and (d)).

A Tax Information and Impact Note covering this instrument was published on 11 December 2012 alongside amendments to community investment tax relief and is available on the HMRC website at <http://www.hmrc.gov.uk/tiin/2012/tiin2334.pdf>. It remains an accurate summary of the impacts that apply to this instrument.

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£4.00

E5895 02/2013 135895T 19585

ISBN 978-0-11-153515-8



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