

EXPLANATORY MEMORANDUM TO
THE TAX RELIEF FOR SOCIAL INVESTMENTS (ACCREDITATION OF SOCIAL
IMPACT CONTRACTOR) (AMENDMENT) REGULATIONS 2015

2015 No. 2051

1. Introduction

- 1.1 This explanatory memorandum has been prepared by HM Revenue & Customs on behalf of HM Treasury and is laid before the House of Commons by Command of Her Majesty.

2. Purpose of the instrument

- 2.1 This instrument reduces the administrative burden on social impact contractors (“contractors”) who enter into a payments-by-result contract (usually known as a Social Impact Bond or SIB) with more than one public authority and where the contractor’s investors wish to claim tax relief under the Social Investment Tax Relief (SITR) scheme. The instrument provides that, once the contractor is accredited for SITR purposes in respect of the first SIB, that accreditation can endure for as long as the contractor has SIBs in place, in materially identical terms, with any other public authorities. Previously, contractors would have had to make a new application for accreditation with respect to each individual SIB.

3. Matters of special interest to the House of Commons

Matters of special interest to the Select Committee on Statutory Instruments

- 3.1 None.

Other matters of interest to the House of Commons

- 3.2 As this instrument is subject to negative resolution procedure and has not been prayed against, consideration as to whether there are other matters of interest to the House of Commons does not arise at this stage.

4. Legislative Context

- 4.1 This instrument amends the Tax Relief for Social Investments (Accreditation of Social Impact Contractor) Regulations 2014. It provides an administrative easement for contractors entering into contracts with several different public authorities where the contractor’s investors wish to claim tax relief under the SITR scheme.

5. Extent and Territorial Application

- 5.1 The extent of this instrument is the United Kingdom.
5.2 The territorial application of this instrument is the United Kingdom.

6. European Convention on Human Rights

- 6.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

What is being done and why

- 7.1 The SITR scheme was introduced with effect from 6 April 2014. It provides tax relief to individuals who invest in qualifying social enterprises. A social enterprise may be a community benefit society, a community interest company, a charity or a social impact contractor. A social impact contractor (“contractor”) is a company set up to deliver a specific service to a public authority through a payments-by-result contract, usually known as a Social Impact Bond (SIB). Each SIB must be accredited by the Cabinet Office for the contractor to be eligible under the SITR scheme.
- 7.2 Some contractors enter into SIBs on similar terms with several public authorities, for example to place children with foster families. This instrument provides that accreditation can endure for similar SIBs entered into by the company with different public authorities, providing that there is at least one such SIB in place throughout the period of accreditation. Previously, contractors would have had to make a new application for accreditation with respect to each individual SIB.
- 7.3 Cabinet Office guidance on the accreditation process is also being updated.

Consolidation

- 7.4 There are no plans to consolidate the regulations in view of the minor changes being made by this instrument. The revised Cabinet Office guidance provides full details of the revised legislation.

8. Consultation outcome

- 8.1 HM Treasury consulted on several aspects of the new SITR scheme from 10 July to 19 September 2014, including on extending SITR to different forms of SIB (*Social investment tax relief: enlarging the scheme*¹). The government announced at Autumn Statement 2014 that it would extend SITR to social impact bond contracts through secondary legislation and a summary of responses to the July consultation was published on 10 December 2014². Following this announcement, HM Treasury and Cabinet Office held further technical meetings with interested parties to determine the scope of the new procedures in 2015.
- 8.2 A consultation on the draft regulations and revised Cabinet Office guidance was held from 9 to 30 November 2015. The consultation period was shortened to enable the regulations to be made as quickly as possible. The number of interested parties is limited given the specialist nature of the policy and the Cabinet Office contacted them immediately the documents were published to alert them to the consultation.

9. Guidance

- 9.1 Revised guidance on the accreditation procedure is being published by the Cabinet Office.

¹https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/329284/Consultation_Social_investment_tax_relief.pdf

²https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/385153/Social_Investment_Tax_Relief_-_response.pdf

10. Impact

- 10.1 The impact on business, charities or voluntary bodies is negligible. There will be a reduction in administrative burdens for some contractors seeking Cabinet Office accreditation under the SITR scheme.
- 10.2 There is no impact on the public sector.
- 10.3 A Tax Information and Impact Note has not been prepared for this Instrument as it contains no substantive changes to tax policy.

11. Regulating small business

- 11.1 The legislation does not apply to activities that are undertaken by small businesses.

12. Monitoring & review

- 12.1 The impact of the amendments made by this instrument will be considered as part of a wider review two years after the SITR scheme is enlarged.

13. Contact

- 13.1 Cathy Wilson at HM Revenue & Customs Telephone: 03000 536678 or email: cathy.wilson@hmrc.gsi.gov.uk can answer any queries regarding the instrument.