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Guidance

# Use SITR to raise money for your social enterprise

Find out if your social enterprise meets the conditions of the social investment tax relief (SITR) scheme and how to apply.

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From:

[HM Revenue & Customs \(/government/organisations/hm-revenue-customs\)](https://www.gov.uk/government/organisations/hm-revenue-customs)

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The social investment tax relief (SITR) scheme is one of 4 venture capital schemes - [check which is appropriate for you \(https://www.gov.uk/guidance/venture-capital-schemes-raise-money-by-offering-tax-reliefs-to-investors\)](https://www.gov.uk/guidance/venture-capital-schemes-raise-money-by-offering-tax-reliefs-to-investors).

**How the scheme works**

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SITR is a [state aid \(https://www.gov.uk/guidance/state-aid#what-is-state-aid\)](https://www.gov.uk/guidance/state-aid#what-is-state-aid) designed to help you raise money to support the trading activity of your:

- [community interest company \(https://www.gov.uk/government/publications/community-interest-companies-business-activities\)](https://www.gov.uk/government/publications/community-interest-companies-business-activities)
- community benefit society, with an asset lock
- [charity \(https://www.gov.uk/charities-and-tax\)](https://www.gov.uk/charities-and-tax), which can be a company or a trust

It does this by offering your investors tax relief on shares they buy or money they lend your enterprise, as long as you [follow the scheme rules for at least 3 years](#).

You can ask HMRC to check if your investment proposal is likely to qualify before you go ahead. This is called [advance assurance \(https://www.gov.uk/guidance/venture-capital-schemes-apply-for-advance-assurance\)](https://www.gov.uk/guidance/venture-capital-schemes-apply-for-advance-assurance).

## Who can use the scheme

You, or your subsidiary, must use the money raised for either:

- a [qualifying trade](#)
- preparing to carry out a qualifying trade (which must start within 2 years of the investment)

You cannot:

- have more than £15 million in gross assets immediately before the investment is made
- have 250 or more full time equivalent employees at the time of investment
- be controlled by another company
- have more than £16 million in gross assets immediately after the investment is made

For 3 years after the investment is made, you cannot:

- be controlled by another company
- be quoted on a recognised stock exchange
- be in a partnership
- control another company that is not a qualifying subsidiary

There are also limits on [when you can apply to use SITR](#).

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If your company controls subsidiaries they need to be qualifying subsidiaries.

This means:

- your enterprise must own more than 50% of the subsidiary's shares
- no one other than your enterprise or one of its other qualifying subsidiaries can control this subsidiary
- there must be no arrangements which would put someone else in control of this subsidiary

The subsidiary must be at least 90% owned by your enterprise if either the:

- trading activity you're going to spend the investment on will be carried out by the subsidiary
- subsidiary's business is mainly property or land management

## Qualifying trades

Most trades qualify but you must be trading commercially and trying to make a profit. You do not need to be trading in the UK.

Your enterprise may not qualify if most of your trade includes things like:

- leasing activities
- letting ships on charter
- receiving royalties or license fees
- dealing in financial instruments like commodities, futures, shares and securities
- dealing in land
- running a nursing home or residential care home
- managing property used as a nursing home or residential care home
- banking, insurance, money-lending, debt-factoring, hire-purchase financing or other financial activities
- property development
- fishery and aquaculture
- agriculture
- production of gas or other fuel
- generating energy like electricity or heat
- exporting electricity

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- road freight transport for hire

You may not qualify if your enterprise provides services to another business and both of the following apply:

- that business's trade consists mostly of excluded activities
- a person has a controlling interest in both your enterprise and the other business

## How to raise the money

Your investors must:

- buy new shares
- lend you money as a new debt investment

### Shares

The shares you issue to investors must:

- be new shares
- be paid for in full, and in cash, at the time the investment is made
- not be preference shares

Any dividends your investors receive cannot be guaranteed.

### Debt investment

The amount you're lent must:

- be for a new debt investment or loan
- be made in cash, in a single or several payments
- not be secured on any assets
- not be paid back until at least 3 years after the investment
- not have an interest rate higher than a reasonable commercial interest rate

### When you issue the shares or debt investment

When you issue the shares or receive the debt investment there cannot be an arrangement:

- to guarantee the investment or protect the investor from risk

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- to sell or buyback the shares at the end of, or during the 3 years after the investment is made
- to repay the loan during the 3 years after the investment is made
- to structure your activities to let an investor benefit in a way that's not intended by the scheme
- for a reciprocal agreement where you invest back in an investor's company to also gain tax relief
- to raise money for the purpose of tax avoidance - the investment must be for a genuine commercial reason

You cannot use the investment to pay off a loan.

## How much you can raise

The maximum amount of investment you can get over the lifetime of your enterprise is £1.5 million. This includes any money received by any subsidiaries, former subsidiaries or businesses you've acquired.

Any investments under SITR will also count towards any limits for later investments through [other venture capital schemes \(https://www.gov.uk/guidance/venture-capital-schemes-raise-money-by-offering-tax-reliefs-to-investors\)](https://www.gov.uk/guidance/venture-capital-schemes-raise-money-by-offering-tax-reliefs-to-investors).

If you're applying for any other state aid, like grants, make sure you're still within the relevant state aid limits.

## Which state aid you'll get

You'll receive investment under GBER state aid or de minimis state aid, depending on the date of your first commercial sale and the trading activity you want to raise money for.

If you receive investment under GBER, you can raise any amount of investment up to the lifetime limit.

If you receive investment under de minimis, the maximum amount of investment you can get is €344,827 (or the equivalent amount in pound sterling) over a 3 year period. This includes any other de minimis state aid received in the 3 years up to and including the date of the investment.

## If it's been less than 7 years since your first commercial sale

You'll receive investment under GBER state aid.

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You'll receive investment under GBER state aid if both of the following apply:

- you used SITR within 7 years of your first commercial sale
- you want to use SITR again to raise money for the same trading activity

You'll receive investment under de minimis state aid if either:

- you've never used SITR
- you received GBER or de minimis state aid through SITR within 7 years of your first commercial sale and now you want to raise money for a different activity

## When to apply

You can only apply when you've carried out your qualifying trade for 4 months.

You must apply within 2 years of having carried out your qualifying trade for 4 months, or within 2 years of the end of the tax year in which the shares were issued (whichever is later).

## How to apply

When you've issued your shares or debt investment, [complete a compliance statement \(SITR1\)](https://public-online.hmrc.gov.uk/lc/content/xfatforms/profiles/forms.html?contentRoot=repository:///Applications/CorporationTax/1.0/VCSSITR1&template=VCSSITR1.xdp) (<https://public-online.hmrc.gov.uk/lc/content/xfatforms/profiles/forms.html?contentRoot=repository:///Applications/CorporationTax/1.0/VCSSITR1&template=VCSSITR1.xdp>) and send it to HMRC.

Email HMRC to [ask for this form in Welsh \(Cymraeg\)](https://www.gov.uk/government/organisations/hm-revenue-customs/contact/welsh-language-helplines#email) (<https://www.gov.uk/government/organisations/hm-revenue-customs/contact/welsh-language-helplines#email>).

Complete a separate statement for each share or debt issue.

If you've got advance assurance, provide copies of any documents that have changed since HMRC gave you advance assurance.

If you've not got advance assurance, provide the following information for your social enterprise and any of its subsidiaries:

- the business plan and financial forecasts
- a copy of the latest accounts if available
- which enterprises or companies will use the investments
- details of all trading and activities to be carried out, and how much you expect to spend on each activity

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- a list of the amounts, dates and venture capital schemes under which you've previously received an investment
- copies of any documents you use to explain your proposal to your investors
- details of any other agreements between the enterprise and the investors
- a signed letter from one of your directors or trustees if you're allowing an agent to act on your behalf
- the certificate of incorporation of your company or charity
- the memorandum and articles of association of your company or the equivalent governing documents of your charity, such as a trust deed
- the loan agreement or debt instrument, if the investment is through qualifying debt
- any other documents to show you meet the qualifying conditions for the scheme

## Send your application

You can email or post your compliance statement and supporting documents.

Email: [enterprise.centre@hmrc.gsi.gov.uk](mailto:enterprise.centre@hmrc.gsi.gov.uk)

Post:

Venture Capital Reliefs Team  
HM Revenue and Customs  
WMBC  
BX9 1BN

You must complete a separate application for each share issue or debt investment.

## What happens next

If your application is successful, HMRC will send you a letter and compliance certificates (form SITR3) to give to your investors.

The letter will include a unique investment reference number. You must include this on the compliance certificates you give to investors. Investors need the compliance certificate and reference number to be able to claim tax relief.

If HMRC decides the investments do not meet SITR requirements, we'll write to you explaining why. If you disagree, you can ask HMRC to review the decision, or appeal against it.

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You must follow the scheme rules for at least 3 years after the investment is made - otherwise tax relief will be withdrawn from your investors. You must tell HMRC if you no longer meet the conditions within 60 days.

All money raised from the investment must be used within 28 months of the date of the investment.

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[Enterprise Investment Scheme draft guidelines for the approval of knowledge-intensive funds \(/government/publications/enterprise-investment-scheme-draft-guidelines-for-the-approval-of-knowledge-intensive-funds\)](/government/publications/enterprise-investment-scheme-draft-guidelines-for-the-approval-of-knowledge-intensive-funds)

[Venture capital schemes: permanent establishment \(/guidance/venture-capital-schemes-permanent-establishment\)](/guidance/venture-capital-schemes-permanent-establishment)

[Use a venture capital scheme to raise money for your knowledge intensive company \(/guidance/use-the-enterprise-investment-scheme-eis-to-raise-money-for-research-development-or-innovation\)](/guidance/use-the-enterprise-investment-scheme-eis-to-raise-money-for-research-development-or-innovation)

[Apply for advance assurance on a venture capital scheme \(/guidance/venture-capital-schemes-apply-for-advance-assurance\)](/guidance/venture-capital-schemes-apply-for-advance-assurance)

[Use the Seed Enterprise Investment Scheme to raise money for your company \(/guidance/venture-capital-schemes-apply-to-use-the-seed-enterprise-investment-scheme\)](/guidance/venture-capital-schemes-apply-to-use-the-seed-enterprise-investment-scheme)

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## Explore the topic

[Investment schemes \(/topic/business-tax/investment-schemes\)](/topic/business-tax/investment-schemes)

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