

## SCHEDULES

### SCHEDULE 16

#### COMMUNITY INVESTMENT TAX RELIEF

#### PART 5

#### FORM OF RELIEF

##### *Individual investors*

- 19 (1) This paragraph applies where the investor is—
- (a) an individual, and
  - (b) eligible for relief in respect of the investment (see paragraph 1(1)).
- (2) Where the investor makes a claim in respect of a loan, securities or shares for a relevant tax year in accordance with this Part, the amount of his liability for that year to income tax on his total income shall be reduced by the smaller of—
- (a) 5% of the invested amount in respect of that loan or those securities or shares for the year, and
  - (b) the amount which reduces his liability to zero.
- (3) For this purpose the “relevant” tax years are—
- (a) the tax year in which the investment date falls, and
  - (b) each of the four subsequent tax years.
- (4) The investor is entitled to make a claim for relief for a relevant tax year if—
- (a) it appears to him that the conditions for the relief are for the time being satisfied, and
  - (b) he has received a tax relief certificate (see paragraph 12) relating to the investment from the CDFI,
- but no claim may be made before the end of the tax year to which it relates.
- (5) Sub-paragraph (4) is subject to the following provisions—
- (a) paragraph 22 (loans: no claim after disposal or excessive repayments or receipts of value);
  - (b) paragraph 23 (securities or shares: no claim after disposal or excessive receipts of value);
  - (c) paragraph 24 (loss of accreditation by CDFI).
- (6) In determining for the purposes of sub-paragraph (2) the amount of income tax to which the investor would be liable apart from this paragraph, no account shall be taken of—
- (a) any income tax reduction under Chapter 1 of Part 7 of the Taxes Act 1988 or under section 347B of that Act;

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- (b) any income tax reduction under section 353(1A) of that Act;
- (c) any relief by way of a reduction of liability to tax which is given in accordance with any arrangements having effect by virtue of section 788, or by way of a credit under section 790(1), of that Act;
- (d) any tax at the basic rate on so much of that person's income as is income the income tax on which he is entitled to charge against any other person or to deduct, retain or satisfy out of any payment.

### *Company investors*

- 20 (1) This paragraph applies where the investor is—
- (a) a company, and
  - (b) eligible for relief in respect of the investment (see paragraph 1(1)).
- (2) Where the investor makes a claim for a relevant accounting period in respect of a loan, securities or shares in accordance with this Part, the amount of its liability for corporation tax for that period shall be reduced by the smaller of—
- (a) 5% of the invested amount in respect of that loan or those securities or shares for the period, and
  - (b) the amount which reduces the investor's liability to zero.
- (3) For this purpose the “relevant” accounting periods are—
- (a) the accounting period in which the investment date falls, and
  - (b) each of the accounting periods in which the subsequent four anniversaries of that date fall.
- (4) The investor is entitled to make a claim for relief for a relevant accounting period if—
- (a) it appears to the investor that the conditions for the relief are for the time being satisfied, and
  - (b) it has received a tax relief certificate (see paragraph 12) relating to the investment from the CDFI,
- but no claim may be made before the end of the accounting period to which it relates.
- (5) Sub-paragraph (4) is subject to the following provisions—
- (a) paragraph 22 (loans: no claim after disposal or excessive repayments or receipts of value);
  - (b) paragraph 23 (securities or shares: no claim after disposal or excessive receipts of value);
  - (c) paragraph 24 (loss of accreditation by CDFI);
  - (d) paragraph 25 (accreditation of the investor).

### *Determination of “the invested amount”*

- 21 (1) This paragraph applies for the purpose of determining “the invested amount” in respect of any loan, securities or shares comprised in the investment.

This is subject to paragraphs 31(2) and 38 (which adjust “the invested amount” in certain cases where value is received).

- (2) In the case of a loan, the invested amount is—
- (a) for the tax year or accounting period in which the investment date falls, the average capital balance for the first year of the five year period;

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- (b) for the tax year or accounting period in which the first anniversary of the investment date falls, the average capital balance for the second year of the five year period;
  - (c) for any subsequent tax year or accounting period—
    - (i) the average capital balance for the period of one year beginning with the anniversary of the investment date falling in the tax year or accounting period concerned, or
    - (ii) if less, the average capital balance for the period of six months beginning eighteen months after the investment date.
- (3) In the case of securities or shares, the invested amount for a tax year or accounting period is the amount subscribed by the investor for the securities or shares.
- (4) For the purposes of this paragraph, the average capital balance of the loan for a period is the mean of the daily balances of capital outstanding during the period.

*Loans: no claim after disposal or excessive repayments or receipts of value*

- 22 (1) Where the investment consists of a loan, no claim may be made in respect of a tax year or accounting period if—
- (a) the investor disposes of the whole or any part of the loan before the qualifying date relating to that year or period,
  - (b) at any time after the investment is made but before that qualifying date, the amount of the capital outstanding on the loan is reduced to nil, or
  - (c) before that qualifying date, paragraphs (a) and (b) of paragraph 30(1) (repayments of loan in five year period exceeding permitted limits) apply in relation to the investment (whether by virtue of paragraph 31 (receipts of value treated as repayments) or otherwise).
- For the purposes of paragraph (a) any repayment of the loan is to be disregarded.
- (2) For the purposes of this paragraph the qualifying date relating to a tax year or accounting period is the anniversary of the investment date next occurring after the end of that year or period.

*Securities or shares: no claim after disposal or excessive receipts of value*

- 23 (1) Where the investment consists of securities or shares, a claim made in respect of a tax year or accounting period must relate only to those securities or shares held by the investor, as sole beneficial owner, continuously throughout the period—
- (a) beginning when the investment is made, and
  - (b) ending immediately before the qualifying date relating to the tax year or accounting period.
- (2) No claim for relief may be made in relation to a tax year or accounting period if before the qualifying date relating to that year or period paragraphs (a) to (d) of paragraph 32(1) (receipts of value in five year period exceeding permitted limits) apply in relation to the investment or any part of it.
- (3) For the purposes of this paragraph, the qualifying date relating to a tax year or accounting period is the anniversary of the investment date next occurring after the end of that year or period.

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*Loss of accreditation by the CDFI*

- 24 (1) Where the CDFI ceases to be accredited under Part 2 with effect from a time (“the relevant time”) within the five year period, no claim for relief relating to the investment may be made by the investor—
- (a) for the relevant tax year or accounting period, or
  - (b) for any later tax year or accounting period.
- (2) For the purposes of sub-paragraph (1) the relevant tax year or accounting period is—
- (a) where the relevant time falls within the first year of the five year period, the tax year or accounting period in which the investment date fell, and
  - (b) in any other case, the year or period in which fell the last anniversary of that date before the relevant time (or, if the relevant time itself falls on an anniversary of the investment date, the year or period in which that anniversary falls).

*Accreditation of the investor*

- 25 (1) Where the investor is a company and becomes accredited with effect from a time (“the relevant time”) within the five year period, no claim for relief relating to the investment may be made by the investor for the relevant accounting period or any later period.
- (2) For the purposes of sub-paragraph (1) the relevant accounting period is—
- (a) where the relevant time falls within the first year of the five year period, the accounting period in which the investment date fell, and
  - (b) in any other case, the period in which fell the last anniversary of that date before the relevant time (or, if the relevant time itself falls on an anniversary of the investment date, the period in which that anniversary falls).

*Attribution*

- 26 (1) In this Schedule—
- (a) references to the relief attributable to any loan, securities or shares in respect of a tax year shall be read as references to the reduction made in the investor’s liability to income tax for that year that is attributed to that loan, or those securities or shares, in accordance with this paragraph, and
  - (b) references to the relief attributable to any loan, securities or shares in respect of an accounting period shall be read as references to the reduction made in the investor’s liability to corporation tax for that period that is attributed to that loan, or those securities or shares, in accordance with this paragraph.
- This is subject to the provisions of Part 6 for the withdrawal or reduction of relief.
- (2) Where the investor’s liability to income or corporation tax is reduced for a tax year or accounting period under this Part, then—
- (a) where the reduction is obtained by reason of one loan, or securities or shares comprised in one issue, the amount of the tax reduction shall be attributed to that loan or those securities or shares, and
  - (b) where the reduction is obtained by reason of a loan or loans, securities or shares comprised in two or more investments, the reduction—

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- (i) shall be apportioned between the loan or loans, securities or shares in each of those investments in the same proportions as the invested amounts in respect of the loan or loans, securities or shares for the year or period, and
  - (ii) shall be attributed to that loan or those loans, securities or shares accordingly.
- (3) Where under this paragraph an amount of any reduction of income tax or corporation tax is attributed to any securities in the same issue, a proportionate part of that amount shall be attributed to each security.
- (4) Where under this paragraph an amount of any reduction of income tax or corporation tax is attributed to any shares in the same issue, a proportionate part of that amount shall be attributed to each of those shares.
- (5) If corresponding bonus shares are issued to the investor in respect of any shares (“the original shares”) comprised in the investment that have been continuously held by the investor, as sole beneficial owner, from the time they were issued until the issue of the bonus shares—
  - (a) a proportionate part of any amount attributed to the original shares, in respect of a tax year or accounting period, immediately before the bonus shares are issued shall be attributed to each of the shares in the holding comprising the original shares and the bonus shares, in respect of that year or period, and
  - (b) after the issue of the bonus shares, this Schedule shall apply as if—
    - (i) the original issue had included the bonus shares, and
    - (ii) the bonus shares had been held by the investor, as sole beneficial owner, continuously from the time the original shares were issued until the bonus shares were issued.
- (6) In sub-paragraph (5)—
  - “corresponding bonus shares” means bonus shares that are in the same company, of the same class, and carry the same rights as the original shares; and
  - “original issue” means the issue of shares forming the investment.
- (7) If relief attributable to a loan or any securities or shares falls to be withdrawn under Part 6, the relief attributable to that loan or each of those securities or shares shall be reduced to nil.
- (8) If relief attributable to any securities or shares falls to be reduced under that Part by any amount, the relief attributable to each of those securities or shares shall be reduced by a proportionate part of that amount.