

*These notes refer to the Income Tax Act 2007 (c.3)
which received Royal Assent on 20 March 2007*

INCOME TAX ACT 2007

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Part 7: Community investment tax relief

Overview

Chapter 2: Accredited community development finance institutions

Overview

970. For an investment in a CDFI to qualify for relief, the CDFI must be accredited by the Secretary of State. Part 2 of Schedule 16 to FA 2002 sets out the criteria for accreditation. It also contains powers to determine the manner of making applications and the terms and conditions of accreditation, and authorises delegation of the Secretary of State's functions. These functions have been assigned to the Secretary of State for Trade and Industry.
971. This Chapter is based on Part 2 of Schedule 16 to FA 2002. So that there is only one set of provisions relating to accreditation, Schedule 1 to this Act substitutes for paragraphs 4 to 7 of Schedule 16 to FA 2002 a new paragraph 4 applying Chapter 2 of this Part for the purposes of corporation tax relief for companies under that Schedule.

Section 340: Application and criteria for accreditation

972. This section sets out the way in which an application for accreditation as a CDFI is to be made and the basis on which it is to be admitted. It is based on paragraph 4 of Schedule 16 to FA 2002.
973. *Subsection (2)(b)* contains powers for the Treasury to make regulations. Under the powers in paragraphs 4 and 5 of Schedule 16 to FA 2002, the Treasury have made the [Community Investment Tax Relief \(Accreditation of Community Development Finance Institutions\) Regulations 2003 \(SI 2003/96\)](#).
974. Regulations may make different provision for bodies whose principal objective in providing finance is to invest in enterprises whose business does not consist of financing other enterprises or does so only to the extent permitted by the regulations. If such a body is accredited, it is designated as a retail community development finance institution (a "retail CDFI"). See *subsections (6)(b) to (8)*.
975. The distinction between a retail CDFI and an accredited CDFI which is not a retail CDFI (a "wholesale CDFI") is relevant to the limits on the total value of investments which a CDFI can make for an accreditation period and which are set out in section 348(4). [SI 2003/96](#) provides different limits on the value of investments which a retail CDFI and a wholesale CDFI may make in any enterprise.

*These notes refer to the Income Tax Act 2007 (c.3)
which received Royal Assent on 20 March 2007*

Section 341: Terms and conditions of accreditation

976. This section provides that the terms and conditions for accreditation are to be those set out in regulations and any other terms or requirements the Secretary of State considers appropriate, and specifies what regulations may contain. It is based on paragraph 5 of Schedule 16 to FA 2002. [SI 2003/96](#) contains regulations made under that paragraph.

Section 342: Period of accreditation

977. This section sets out the period for which an accreditation has effect. It is based on paragraph 7 of Schedule 16 to FA 2002.
978. Paragraph 7(2) of Schedule 16 to FA 2002 (relating to applications for accreditation made before 6 April 2003) has been omitted, as it no longer has any relevance.

Section 343: Delegation of Secretary of State's functions

979. This section is based on paragraph 6 of Schedule 16 to FA 2002.