

*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 5: Claims for and attribution of CITR

Overview

1000. This Chapter is based on those paragraphs of Part 5 of Schedule 16 to FA 2002 which apply to individual investors other than paragraphs 19 and 21. Sections 335 and 337 in Chapter 1 are based on those two paragraphs.

Section 354: Loans: no claim after disposal or excessive repayments or receipts of value

1001. This section prevents a claim being made for any tax year in respect of an investment by way of loan in certain circumstances. It is based on paragraph 22 of Schedule 16 to FA 2002. This section links to the provisions in sections 360, 362 and 363 which provide for a tax reduction already given to be recaptured in similar circumstances.

Section 355: Securities or shares: no claim after disposal or excessive receipts of value

1002. This section sets out two conditions to be met before a claim can be made for any tax year in respect of a subscription for securities or shares. It is based on paragraph 23 of Schedule 16 to FA 2002.

1003. The first condition (*subsection (1)*) is that the investor has not disposed of the securities or shares before the first anniversary of the investment date which occurs after the end of the tax year.

1004. The second condition (*subsection(2)*) is that the investor has not received or is not treated as having received value from the CDFI in excess of the limits allowed under section 364.

Section 356: No claim after loss of accreditation by the CDFI

1005. This section provides that no claim may be made if the CDFI ceases to be accredited. It is based on paragraph 24 of Schedule 16 to FA 2002. Depending on the investment date and the date upon which the CDFI ceased to be accredited, this section may prevent a claim being made for the tax year before that in which the CDFI ceased to be accredited (see *subsection (2)*).

Section 357: Attribution: general

1006. This section sets out the general rules dealing with the attribution to the loan, securities or shares included in the investment of the reduction in the investor's income tax liability for any tax year made as a result of the investor's entitlement to CITR. It is based on paragraph 26 of Schedule 16 to FA 2002.
1007. Attribution is required for the purpose of determining the amount of the tax reduction which must be withdrawn or reduced in accordance with Chapter 6 of this Part.

Section 358: Attribution: bonus shares

1008. This section sets out additional rules relating to attribution, to deal with the consequences of an issue of "corresponding bonus shares" (see *subsection (4)*) to the investor in respect of the original shares included in the investment. It is based on paragraph 26 of Schedule 16 to FA 2002.
1009. The CITR attributable to the original shares is to be re-attributed across the bonus shares and the original shares proportionately and the bonus shares are to be treated as having been issued at the time the original shares were issued and as having been held by the investor from that date.