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Community interest tax relief 'must be extended'

By David Ainsworth, Third Sector Online, 2 March 2011

Bernie Morgan, chief executive of the Community Development Finance Association

Social investment experts say the relief is crucial for a sector under pressure

The government should ask the European Commission to allow it to extend the duration of community interest tax relief if it wants to grow the social investment sector, according to several social investment experts.

CITR, which allows investors in community development finance institutions to reclaim up to 25 per cent of their investment over five years, was made possible by a state aid exemption from the European Commission, which will expire in 2012.

Several social investment experts have told *Third Sector* that the government must commit itself in the Budget on 23 March to ask for the exemption to be extended so that it has enough time to go through the procedures before the existing exemption runs out.

Bernie Morgan, chief executive of the Community Development Finance Association, the umbrella body for CDFIs, said CITR must be extended.

"The CDFI sector is already under pressure," she said. "It's critical for the future of the sector. We're hopeful of an announcement about an extension in the budget."

CDFIs lend to social enterprises and individuals in deprived areas, and have raised around £60m through CITR.

Morgan said the tax relief had, however, been much less successful than predicted in its first 10 years because the CDFI sector was "not investment-ready" when it was introduced, and also because the initial rules were far too complicated.

"There is still a significant barrier in the speed with which you have to get money out of the door," she said. "If that was relaxed, CDFIs would be able to access a lot more cash under CITR."