

Consultation on social investment tax relief

The Big Life group is a group of social businesses including charities and companies limited by guarantee. As a potential investee organisation, our responses relate to questions 1 to 14.



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Question	Responses
Q1	Yes, we agree with the proposed criteria for assessing options.
Q2	This definition is too limited and should be extended to Companies Limited by Guarantee. Many existing social enterprises have this legal form and conversion to a charity or CIC will not always be appropriate or beneficial to the organisation..
Q3	Companies limited by guarantee should also be included in the definition. Many existing social enterprises have this legal form and conversion to a charity or CIC will not always be appropriate or beneficial to the organisation.. This legal form provides additional flexibility, for example, to create group structures in social enterprise and should be included.
Q4	Charities may find that some potential donors consider investment as an alternative to donation. This can be avoided is the investor is required to provide a credible investment plan on request.
Q5	We perceive no specific avoidance risks in relation to charities.
Q6	Social enterprises are often engaged in providing health and social care and therefore have high numbers of employees on modest salaries. The limit of 250 FTE would unfairly exclude social enterprises with relatively modest turnover.
Q7	A combination of gross assets and turnover would be less likely to exclude charities with restricted assets that cannot be used as security for investment.
Q8	The exclusions should be as limited as possible. For example, an organisation such as Big Issue in the North is both a publisher and provides support for homeless people. Any organisation that can demonstrate social outcomes should be included.
Q9	We agree.
Q10	We agree.
Q11	This rule would ensure that safer investments do not benefit from tax reliefs. However, partial security e.g. up to 50% of the investment value, should be allowed to extend the opportunities for social enterprises to secure investment at the best possible rates of return.
Q12	Social investors often require returns in the form of a combination of social outcomes and financial returns. Insisting on broadly commercial rates will reduce the value placed on social outcomes. To limit manipulation on returns, a relationship between acceptable returns for social enterprise tax relief and commercial rates could be established.
Q13	Yes.
Q14	To insist on commercial rates of return would reduce the focus on social outcomes, which are valued by many investors in social enterprise. This would have the undesirable effect of driving the development of activities that are more commercial and with fewer social outcomes.