



Anna Longman & Virginia Fenton
Social Investment Tax Relief Consultation
Enterprise and Property Tax Team
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

Cc: David Gauke MP, Financial Secretary to the Treasury
Cc: Brooks Newmark MP, Minister for Civil Society

19 September 2014

Dear Anna and Virginia,

BVCA and BSC joint response to the Consultation on Social Investment Tax Relief (SITR): Enlarging the Scheme

This letter is submitted jointly by the British Private Equity and Venture Capital Association (BVCA) and Big Society Capital (BSC). It not only complements our respective submissions to the consultation, but demonstrates the increasing cooperation between the social and venture capital investment communities, facilitated by both our organisations.

Behind the scenes, BVCA and BSC have held a joint roundtable, engaged with multiple venture capital managers, financial advisers and banks, and engaged a leading accounting firm to help us understand if and how this enlarged scheme could work. It is our view that success of enlarged SITR will only come through better connecting social enterprises to not just social investment finance intermediaries, but also mainstream financial investment intermediaries, which can introduce social investment to new individual investors and deliver much greater scale.

We welcome the key principles set out in the consultation document to expand the scheme and reiterate our call for an ambitious scheme to seize the current momentum around social investment. Increasing the investment size and providing new indirect investment structures are vital, and the Venture Capital Trust (VCT) scheme is the right structure to work from to build instant visibility and scale. The two key factors that we would like to emphasise from this consultation necessary to deliver social investment capital at scale are to:

- (i) **Substantially increase the investment limit per organisation to be consistent with other venture capital reliefs (currently £5m annually).** This would help bridge the true scale of the risk capital funding gap for social enterprises but also help demonstrate the opportunities for social venture capital community and advisers.
- (ii) **Provide for new social investment VCT structures in ideally pure and potentially hybrid forms.** A new “pure” social investment VCT would be able to provide a new wave of risk-taking social investment funds that specifically target social enterprises and can scale the sector. However, given current barriers to new funds, tax reliefs equivalent to those in



Enterprise Investment Scheme should also be included. A flexible hybrid VCT structure that combines social and commercial investment should also be provided to encourage the entry of new venture capital managers to market and encourage diversity of funds.

We commend the Treasury for the informed approach taken in this consultation and believe that addressing the two factors above will bring the social investment and venture capital investment communities together to help the SITS deliver social returns at scale. Therefore, the BVCA and BSC are determined to help Treasury in its attempt to expand the SITS to reach this goal and look forward to discussing further our proposal with you.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tim Hames', with a horizontal line underneath.

Tim Hames

Director General, British Private Equity and
Venture Capital Association

A handwritten signature in black ink, appearing to read 'Nick O'Donohoe', with a horizontal line underneath.

Nick O'Donohoe

Chief Executive Officer, Big Society Capital