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SITR**

A tax break for charities  
and social enterprises

# SITR MARKET SIZING: OUR ESTIMATE

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# Market Sizing Of SITR



- Big Society Capital (BSC) were commissioned by DCMS to conduct a second SITR market awareness campaign following the rule changes in 2017.
- To help set meaningful campaign KPIs, BSC undertook a market sizing exercise to better understand potential reach and what successful campaign engagement indicators might be
- **The following market size is our best estimate – we invite all comments and suggestion to help reach a more robust understanding of the relief’s audience**

# Our Objective

- To reach a credible estimate for the number of eligible organisations capable of using Sitr, split between the new upper tier (£1.5M) and original, but continuing lower tier (£290k)
- To target and engage these organisations in a campaign to ensure there was awareness of a tax relief lever to help take on social investment and grow their impact

# Our Approach

SITR regulation is technical in parts, we simplified this into four filters for the purpose of estimating market size:

- **LEGAL STRUCTURE** – SITR is only available for social sector regulated orgs (Charities, CICs, Ben-coms)
- **SCALE** – only regulated entities of a sufficient scale with capacity could materially benefit from using SITR
- **AGE** – based on State Aid restrictions, the £1.5M upper tier can only be used by entities in 7 years since “1<sup>st</sup> commercial sale”
- **EXCLUSIONS** – there are a set of “restricted trades” e.g. finance or energy for which SITR is not eligible

# Our Approach

- **LEGAL STRUCTURE** – Charity and CIC numbers taken from GOV.UK official statistics, Bencoms from Community Share’s open data dashboard
- **SCALE** – two part based on:
  - a) annual income (GOV.UK)
  - b) investment capacity (NCVO Almanac data)
- **AGE** – NCVO Almanac data provides a breakdown of date of incorporation per charitable/CIC entity (proxy for 7yr rule / 1<sup>st</sup> commercial sale)
- **EXCLUSIONS** – there are a set of “restricted trades” e.g. finance or energy for which SITR is not eligible

# Estimated Market Size

Entity type	Sector total	Estimated SITR market total	Existing SITR threshold	New SITR threshold
<b>Charities</b>	167,443	31,930	30,455	1,475
<b>CICs</b>	11,922	2,481	2,367	114
<b>CBSs</b>	465	74	68	6
<b>All</b>	<b>179,830</b>	<b>34,485</b>	<b>32,890</b>	<b>1,595</b>

*Estimate from March 2018*

We invite and welcome comments and ideas, particularly on better approaches or data to improve future sizing estimates.

# What Does It Tell Us?

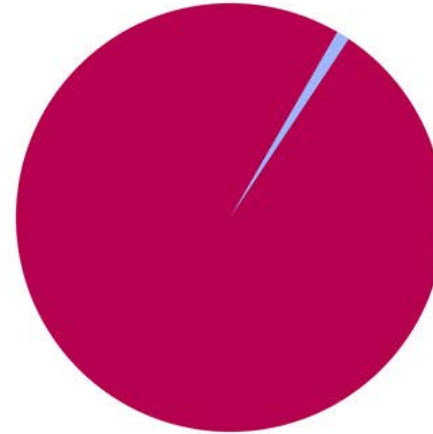
## SITR Deals Completed

MARKET SIZE ESTIMATE

**30,000**

DEALS COMPLETED

**60+**



- We estimate that just over 60 organisations have used SITR to date, there are many more that might be able to
- The original tier remains very relevant (both because of size and the 7-year rule restriction) – awareness building needs to promote both.
- Care should be taken to avoid drawing quick or sure conclusions based on the absolute estimate or breakdown

# Potential Next Steps

- **GET Sitr:** For organisations interested in Sitr – we highly recommend that they sign-up to our campaign that provides tailored tools, resources and information. We have over 600 recipients on our mailing list currently.

[www.bigsocietycapital.com/get-sitr](http://www.bigsocietycapital.com/get-sitr)

- **OPEN SOURCE Sitr:** We are working on an Sitr “Open Source” database – we have collated a list of 50 deals from main sources and believe there are likely to be at least a further 20. If you are interested in reviewing and contributing to this we would love to hear from you.
- **OTHER IDEAS ON MARKET SIZING:** If you know of someone who has undertaken a similar exercise or you would like to discuss our approach please get in touch.

Please get in touch:

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## Size assumption

- Organisations need to have a planned trading income to be suitable to use Sitr. Our approach has not attempted to segment trading and non-tradable income which could provide a more accurate estimate of market size. (potential overestimate)
- Some sector specialists see a key attraction of Sitr to be for early stage (nil/low income) to receive “friends and family” or crowdsourced capital. (potential underestimate)
- Our proxies for sufficient scale were minimum £100k+ income for the lower tier filter and £600k+ income for the higher tier filter
- NCVO Almanac 2014 data indicates approximately 40% of organisations with these income levels have investment capacity (proxy: positive net assets, as per their financial statements)

## First commercial sale (“age”) assumption

- We considered year of incorporation as the most suitable proxy for first commercial sale based on available information

## Exclusion assumption

- We reduced the market size of otherwise Sitr-eligible organisations by 5% on the basis that their principal trade are, and would most likely seek investment for “restricted activities”



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