

INCOME TAX ACT 2007

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Part 5: Enterprise investment scheme

Overview

Chapter 1: Introduction

Overview

531. This Chapter sets out the conditions for an individual to be entitled to a tax reduction and quantifies the amount of the entitlement. It also gives an overview of the Part, labels certain concepts and provides signposts to other material related to EIS.

Section 156: Meaning of “EIS relief” and commencement

532. This section says the relief is a tax reduction and provides labels for the scheme and the relief. It is based on section 312(1) of ICTA.
533. *Subsection (3)* sets out the commencement basis for Part 5 in accordance with section 1034(3). See the notes in the general overview to this Part.

Section 157: Eligibility for EIS relief

534. This section states the conditions to be satisfied for the relief to be available and indicates where further detail can be found on certain conditions. It is based on sections 289(1), 290(1) and 291(1) of ICTA.

Section 158: Form and amount of EIS relief

535. This section quantifies the amount of the income tax reduction to which an individual is entitled if the individual claims EIS relief for a tax year. It is based on sections 289A(1) to (4) and 290(2) of ICTA.
536. *Subsection (1)* provides that an individual may, if that individual wishes, claim EIS relief in respect of some, but not all, of the shares in relation to which the individual is eligible for relief. See *Change 36* in Annex 1. There are consequential changes in later sections to deal with cases where an individual claims EIS relief in relation to some, but not all, of the shares in relation to which the individual is eligible for relief. The commentary on those later sections refers back to the commentary on this section.
537. *Subsection (1)* is expressed in terms of the individual’s entitlement to a tax reduction. Sections 27 and 29 (within the calculation of income tax liability Chapter in Part 2) contain provisions about how effect is given to the entitlement to a reduction and how the actual reduction is quantified.

*These notes refer to the Income Tax Act 2007 (c.3)
which received Royal Assent on 20 March 2007*

538. *Subsection (2)(a)* adds the words “and claims”, before “EIS relief”, to make explicit a requirement that is implied when sections 289A(1) and 289A(2)(a) of ICTA are considered together.
539. *Subsection (2)(b)* provides that there is an upper limit on the amount of an individual’s entitlement to EIS relief rather than an upper limit on the subscriptions in respect of which the relief may be claimed. See *Change 37* in Annex 1.

Section 159: Periods A, B and C

540. This section labels and defines periods (relating to an issue of shares) that are referred to in other sections in this Part. It is based on section 312(1) and (1A) of ICTA.

Section 160: Overview of other Chapters of Part

541. This section indicates the content of Chapters that are not mentioned in section 157. It is new.

Section 161: Other tax reliefs relating to EIS

542. This section signposts other reliefs and material that may be relevant to EIS. It is new.