



Income Tax Act 2007

2007 CHAPTER 3

[^{F1}PART 5B

TAX RELIEF FOR SOCIAL INVESTMENTS

[^{F1}CHAPTER 7

WITHDRAWAL OR REDUCTION OF SI RELIEF

Textual Amendments

F1 Pt. 5B inserted (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 11 para. 1](#)

Value received by the investor

257Q Effect of the investor receiving value from the social enterprise

- (1) If the investor receives any value from the social enterprise at any time in the longer applicable period, any SI relief given in respect of the investment must—
 - (a) if it is greater than the amount given by the formula set out in subsection (2), be reduced by that amount, and
 - (b) in any other case, be withdrawn.
- (2) The formula is—

$$V \times R$$

where—

V is the amount of the value received, and

R is the SI rate for the tax year for which the SI relief was given.

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- (3) Subsections (1) and (2) are subject to—
- (a) section 257QA (value received: insignificant receipts),
 - (b) section 257QB (value received where there is more than one issue of investments),
 - (c) section 257QC (value received where part of investment treated as made in previous tax year),
 - (d) section 257QD (cases where maximum SI relief not obtained),
 - (e) section 257QG (receipts of value by and from connected persons etc), and
 - (f) section 257QH (receipt of replacement value).
- (4) Sections 257QB to 257QD are to be applied in the order in which they appear in this Part.
- (5) Value received is to be ignored, for the purposes of this section, so far as SI relief attributable to the investment has already been withdrawn or reduced on its account.
- (6) For the purposes of this section and sections 257QA to 257QI, an individual—
- (a) who acquires any part of the investment, and
 - (b) who does so on such a transfer as is mentioned in section 257T (spouses or civil partners),
- is treated as the investor.

257QA Value received: insignificant receipts

- (1) In this section “insignificant receipt” means a receipt whose amount—
- (a) is not more than £1,000, or
 - (b) is more than £1,000 but is insignificant in relation to the amount invested.
- (2) Section 257Q(1) does not apply to an insignificant receipt, subject as follows.
- (3) Section 257Q(1) applies to all receipts within the longer applicable period if, at any time on the investment date or in the preceding 12 months, arrangements are in existence providing for the investor to receive, or to be entitled to receive, value from the social enterprise at any time in the longer applicable period.
- (4) Once section 257Q(1) has applied to a receipt, it applies also to all other receipts within the longer applicable period except any earlier insignificant receipts.
- (5) The amount of the first receipt to which section 257Q(1) applies is treated as increased by the total amount of any earlier insignificant receipts.
- (6) In subsection (3)—
- (a) the reference to the investor includes any person who at any time in the longer applicable period is an associate of the investor (whether or not an associate at the material time), and
 - (b) the reference to the social enterprise includes any person who at any time in the longer applicable period is connected with the social enterprise (whether or not connected at the material time).

257QB Value received where there is more than one issue of investments

- (1) Subsection (3) applies if—

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- (a) a time in the longer applicable period when the investor receives value from the social enterprise is within the period that for the purposes of this Part is the longer applicable period in relation to another investment in the social enterprise, and
 - (b) that other investment is one for which the investor has SI relief.
- (2) That other investment is an “overlapping investment” for the purposes of subsection (3).
- (3) Section 257Q(2) has effect in relation to the investment as if the amount V were reduced by multiplying it by—

$$\frac{I}{T}$$

where—

I is the amount on which the investor has SI relief in the case of the investment, and

T is the total of that amount and the corresponding amount for each overlapping investment.

257QC Value received where part of investment treated as made in previous tax year

- (1) Subsection (2) applies if—
- (a) section 257Q(1) applies to a receipt, and
 - (b) section 257JA(1) and (2) apply as if part of the amount invested had been invested in a previous tax year.
- (2) The calculation under section 257Q(2) in relation to that receipt is to be made as follows—

Step 1 Apportion the amount referred to as “V” between the tax year in which the investment was made and the preceding tax year by multiplying that amount by—

$$\frac{A}{B}$$

where—

A is the part of the amount invested on which the investor obtains SI relief for the tax year in question, and

B is the sum of—

- (a) that part, and
- (b) the part of the amount invested on which the investor obtains SI relief for the other tax year.

Step 2 In relation to each of the amounts (“V1” and “V2”) so apportioned to the two tax years, calculate the amounts (“X1” and “X2”) that would be given by the formula if separate investments had been made in those tax years. In calculating amounts X1 and X2, apply section 257QD if appropriate but do not apply section 257QB.

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Step 3 Add amounts X1 and X2 together. The result is the required amount.

257QD Cases where maximum SI relief not obtained

- (1) If the investor's liability to income tax is reduced for any tax year in respect of the investment and—
- (a) the amount of the reduction (“A”), is less than
 - (b) the amount (“B”) which is equal to income tax at the SI rate for that tax year on the amount on which the investor has SI relief in the case of the investment,
- section 257Q(2) has effect in relation to any value received as if the amount referred to as “V” were reduced by multiplying it by—

$$\frac{A}{B}$$

- (2) If the amount of SI relief attributable to the investment has been reduced before the SI relief was obtained, the amount referred to in subsection (1) as “A” is to be treated for the purposes of that subsection as the amount that it would have been without that reduction.
- (3) Subsection (2) does not apply to a reduction of SI relief as a result of section 257N(5) (attribution of SI relief where there is a corresponding issue of bonus shares).

257QE When value is received

- (1) This section applies for the purposes of sections 257Q and 257QB.
- (2) The investor receives value from the social enterprise at any time when the social enterprise—
- (a) repays, redeems or repurchases any investments in the social enterprise which belong to the investor, or makes any payment to the investor for giving up the investor's right to investments in the social enterprise on their cancellation or extinguishment,
 - (b) repays, in pursuance of any arrangements for or in connection with the making of the investment, any debt owed to the investor other than a debt which was incurred by the social enterprise—
 - (i) on or after the investment date, and
 - (ii) otherwise than in consideration of the extinguishment of a debt incurred before that date,
 - (c) makes to the investor any payment for giving up on its extinguishment the investor's right to any debt, other than—
 - (i) a debt in respect of a repayment of the kind mentioned in section 257LF(5)(a) or (f), or
 - (ii) an ordinary trade debt,
 - (d) releases or waives any liability of the investor to the social enterprise or discharges or undertakes to discharge any liability of the investor to a third person,
 - (e) makes a loan or advance to the investor which has not been repaid in full before the investment is made,

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- (f) provides a benefit or facility for the investor by providing, at a price less than the arm's-length price or free of charge, goods or services for whose provision the social enterprise ordinarily makes a charge,
 - (g) otherwise provides any benefit or facility for the investor,
 - (h) transfers an asset to the investor for no consideration or for consideration less than its market value or acquires an asset from the investor for consideration greater than its market value, or
 - (i) makes to the investor any other payment except—
 - (i) a payment of a kind mentioned in section 257LF(5), or
 - (ii) a payment in discharge of an ordinary trade debt.
- (3) For the purposes of subsection (2)(d), the social enterprise is treated as having released or waived a liability if the liability is not discharged within 12 months of the time when it ought to have been discharged.
- (4) For the purposes of subsection (2)(e), each of the following is treated as a loan made by the social enterprise to the investor—
- (a) the amount of any debt, other than an ordinary trade debt, incurred by the investor to the social enterprise, and
 - (b) the amount of any debt due from the investor to a third party which has been assigned to the social enterprise.
- (5) The investor also receives value from the social enterprise if—
- (a) in respect of ordinary shares, or qualifying debt investments, held by the investor any payment or asset is received in a winding-up or dissolution of the social enterprise, and
 - (b) the winding-up or dissolution is for genuine commercial reasons, and is not part of any arrangements the main purpose or one of the main purposes of which is the avoidance of tax.
- (6) The investor also receives value from the social enterprise if—
- (a) a person—
 - (i) purchases any investments in the social enterprise which belong to the investor, or
 - (ii) makes any payment to the investor for giving up any right in relation to any investments in the social enterprise, and
 - (b) that person is an individual in relation to whom not all of the requirements in sections 257LF and 257LG would be met if references in those sections to the investor were read as references to that person.
- (7) If, because of the investor's disposal of investments in the social enterprise, any SI relief attributable to those investments is withdrawn or reduced under section 257R, the investor is not to be treated as receiving value from the social enterprise in respect of the disposal.
- (8) If the investor is a director of the social enterprise, the investor is not to be treated as receiving value from the social enterprise merely because of the payment to the investor of reasonable remuneration (including any benefit or facility) for any services rendered to the social enterprise as a director or employee.
- (9) In this section “ordinary trade debt” means any debt for goods or services supplied in the ordinary course of a trade or business if any credit given—
- (a) is for not more than 6 months, and

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- (b) is not for longer than that normally given to customers of the person carrying on the trade or business.

257QF The amount of value received

In a case falling within a provision listed in column 1 of the following table, the amount of value received for the purposes of sections 257Q and 257QB is given by the corresponding entry in column 2 of the table.

<i>Provision</i>	<i>The amount of value received</i>
Section 257QE(2)(a), (b) or (c)	The amount received by the investor or, if greater, the market value of the investments or debt
Section 257QE(2)(d)	The amount of the liability
Section 257QE(2)(e)	The amount of the loan or advance, less the amount of any repayment made before the investment is made
Section 257QE(2)(f)	The arm's-length price for the goods or services, less any amount paid for them by the investor
Section 257QE(2)(g)	The cost to the social enterprise of providing the benefit or facility, less any consideration given for it by the investor
Section 257QE(2)(h)	The difference between the market value of the asset and the consideration (if any) given for it
Section 257QE(2)(i)	The amount of the payment
Section 257QE(5)	The amount of the payment or the market value of the asset
Section 257QE(6)	The amount received by the investor or, if greater, the market value of the investments

257QG Receipts of value by and from connected persons etc

In sections 257Q, 257QA, 257QB, 257QE and 257QF—

- (a) any reference to a payment or transfer to the investor includes a reference to a payment or transfer made to the investor indirectly or to the investor's order or for the investor's benefit,
- (b) any reference to the investor includes a reference to an associate of the investor, and
- (c) any reference to the social enterprise includes a reference to a person who at any time in the longer applicable period is connected with the social enterprise (whether or not that person is so connected at the material time).

257QH Receipt of replacement value

- (1) If—

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- (a) any SI relief attributable to the investment would, in the absence of this section, be reduced or withdrawn under section 257Q because of a receipt of value within section 257QE(2) or (6) (“the original value”),
- (b) the original supplier receives value (“the replacement value”) from the original recipient and the receipt is a qualifying receipt, and
- (c) the amount of the replacement value is at least the amount of the original value, section 257Q does not, because of the receipt of the original value, have effect to withdraw or reduce the SI relief.

This is subject to section 257QI(1) and (2).

- (2) For the purposes of this section—
 - “the original recipient” means the person who receives the original value, and
 - “the original supplier” means the person from whom that value was received.
- (3) If the amount of the original value is, by virtue of section 257QB, treated as reduced for the purposes of section 257Q(2) as it applies in relation to the investment, the reference in subsection (1)(c) to the amount of the original value is to be read as a reference to the amount of that value ignoring the reduction.
- (4) A receipt of the replacement value is a qualifying receipt for the purposes of subsection (1) if it arises—
 - (a) because of the original recipient doing one or more of the following—
 - (i) making a payment to the original supplier, other than a payment within paragraph (c) or a payment to which subsection (5) applies,
 - (ii) acquiring any asset from the original supplier for a consideration the amount or value of which is more than the market value of the asset, and
 - (iii) disposing of any asset to the original supplier for no consideration or for a consideration the amount or value of which is less than the market value of the asset,
 - (b) if the receipt of the original value was within section 257QE(2)(d), because of an event the effect of which is to reverse the event which constituted the receipt of the original value, or
 - (c) if the receipt of the original value was within section 257QE(6), because of the original recipient repurchasing the investments in question, or (as the case may be) re-acquiring the right in question, for a consideration the amount or value of which is at least the amount of the original value.
- (5) This subsection applies to—
 - (a) any payment for any goods, services or facilities, provided (whether in the course of trade or otherwise) by—
 - (i) the original supplier, or
 - (ii) any other person who at any time in the longer applicable period is an associate of, or is connected with, the original supplier (whether or not the person is such an associate, or is so connected, at the material time),which is reasonable in relation to the market value of those goods, services or facilities,

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- (b) any payment of any interest which represents no more than a reasonable commercial return on any money lent to—
 - (i) the original recipient, or
 - (ii) any other person who at any time in the longer applicable period is an associate of the original recipient (whether or not the person is such an associate at the material time),
 - (c) any payment for the acquisition of an asset which does not exceed its market value,
 - (d) any payment, as rent for any property occupied by—
 - (i) the original recipient, or
 - (ii) any person who at any time in the longer applicable period is an associate of the original recipient (whether or not the person is such an associate at the material time),
 of an amount not exceeding a reasonable and commercial rent for the property,
 - (e) any payment in discharge of an ordinary trade debt, and
 - (f) any payment for shares in or securities of any company in circumstances that do not fall within subsection (4)(a)(ii).
- (6) For the purposes of this section, the amount of the replacement value is—
- (a) in a case within paragraph (a) of subsection (4), the sum of—
 - (i) the amount of any payment within sub-paragraph (i) of that paragraph, and
 - (ii) the difference between the market value of any asset to which sub-paragraph (ii) or (iii) of that paragraph applies and the amount or value of the consideration (if any) received for it,
 - (b) in a case within subsection (4)(b), the same as the amount of the original value, and
 - (c) in a case within subsection (4)(c), the amount or value of the consideration received by the original supplier.
- Section 257QF applies for the purpose of determining the amount of the original value.
- (7) In this section—
- (a) any reference to a payment to a person (however expressed) includes a reference to a payment made to the person indirectly or to the person's order or for the person's benefit, and
 - (b) “ordinary trade debt” has the meaning given by section 257QE(9).

257QI Section 257QH: supplementary

- (1) The receipt of the replacement value by the original supplier is ignored for the purposes of section 257QH(1) to the extent to which it has previously been set under section 257QH against a receipt of value to prevent any reduction or withdrawal of SI relief under section 257Q.
- (2) The receipt of the replacement value by the original supplier (“the event”) is ignored for the purposes of section 257QH if—
 - (a) the event occurs before the longer applicable period,
 - (b) where the event occurs after the time the original recipient receives the original value, it does not occur as soon after that time as is reasonably practicable in the circumstances, or

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- (c) where an appeal has been brought by the investor against an assessment to withdraw or reduce any SI relief attributable to the investment because of the receipt of the original value, the event occurs more than 60 days after the day on which the amount of the relief which falls to be withdrawn has been finally determined.

But nothing in section 257QH or this section requires the replacement value to be received after the original value.

- (3) This subsection applies if—
 - (a) the receipt of the replacement value by the original supplier is a qualifying receipt for the purposes of section 257QH(1), and
 - (b) in consequence of the receipt, any receipts of value are ignored for the purposes of section 257Q as that section applies in relation to the investment or any other investments made by the investor, and
 - (c) the event which gives rise to the receipt is (or includes) the making of an investment by—
 - (i) the investor, or
 - (ii) any person who at any time in the longer applicable period is an associate of the investor (whether or not the person is such an associate at the material time).
- (4) If subsection (3) applies, the person who makes the investment concerned is not to be eligible for SI relief in relation to the investment concerned or any other investments in the same issue.
- (5) In this section “the original recipient”, “the original supplier” and “replacement value” have the same meaning as in section 257QH.

Repayments etc of investments to other persons

257QJ Repayments etc of share capital to other persons

- (1) This section applies if any SI relief is attributable to the whole or any part of the investment and, at any time in the longer applicable period, the social enterprise or any subsidiary—
 - (a) repays, redeems or repurchases any of its share capital which belongs to any member other than—
 - (i) the investor, or
 - (ii) a person who falls within subsection (5), or
 - (b) makes any payment to any such member for giving up the member's right to any of the share capital of the social enterprise or subsidiary on its cancellation or extinguishment.
- (2) The SI relief must—
 - (a) if it is greater than the amount given by the formula set out in subsection (3), be reduced by that amount, and
 - (b) in any other case, be withdrawn.
- (3) The formula is—

$$A \times R$$

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where—

A is the amount received by the member, and

R is the SI rate for the tax year for which the SI relief was given.

- (4) This section is subject to sections 257QK to 257QP; and sections 257QL to 257QO are to be applied in the order in which they appear in this Part.
- (5) A person falls within this subsection if the repayment causes any SI relief attributable to that person's shares in the social enterprise to be withdrawn or reduced by virtue of—
 - (a) section 257QE(2)(a) (receipt of value by virtue of repayment of investments etc), or
 - (b) section 257R (disposal of whole or part of the investment).
- (6) A repayment is treated as having the effect mentioned in subsection (5)(a) if it would have that effect were it not an insignificant receipt; and here “insignificant receipt” is to be read in accordance with section 257QA(1).
- (7) A repayment is to be ignored, for the purposes of this section, to the extent to which SI relief attributable to any shares has already been withdrawn or reduced on its account.
- (8) In this section and sections 257QK to 257QP—
 - (a) “repayment” means a repayment, redemption, repurchase or payment mentioned in subsection (1)(a) or (b), and
 - (b) references to a subsidiary of the social enterprise are references to a company which at any time in the longer applicable period is a 51% subsidiary of the social enterprise (whether or not it is such a subsidiary at the time of the repayment).

257QK Insignificant payments ignored for the purposes of section 257QJ

- (1) A repayment is ignored for the purposes of section 257QJ if both—
 - (a) the market value of the shares to which it relates (“the target shares”) immediately before the event occurs, and
 - (b) the amount received by the member in question,
 are insignificant in relation to the market value of the remaining issued share capital of the social enterprise, or (as the case may be) the subsidiary, immediately after the event occurs.

 This is subject to subsection (3).
- (2) For the purposes of subsection (1) it is to be assumed that the target shares are cancelled at the time the repayment is made.
- (3) Subsection (1) does not apply if repayment arrangements are in existence at any time in the period—
 - (a) beginning 12 months before the investment date, and
 - (b) ending at the end of the investment date.
- (4) For this purpose “repayment arrangements” means arrangements which provide—

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- (a) for a repayment by the social enterprise or any subsidiary of the social enterprise (whether or not it is such a subsidiary at the time the arrangements are made), or
 - (b) for anyone to be entitled to such a repayment,
- at any time in the longer applicable period.

257QL Amount of repayments etc if there is more than one issue of shares

- (1) This section applies if, in relation to the same repayment, section 257QJ(2) applies to SI relief attributable to two or more issues of shares.
- (2) Section 257QJ(3) has effect in relation to the shares included in each of those issues as if the amount referred to as A were reduced by multiplying it by the fraction—

$$\frac{I}{T}$$

where—

I is the amount on which SI relief was obtained by individuals in respect of shares which are included in the issue and to which SI relief is or, but for section 257QJ(2) (b), would be attributable, and

T is the total of that amount and the corresponding amount or amounts in respect of the other issue or issues.

257QM Single issue affecting more than one individual

- (1) This section applies if, in relation to the same repayment, section 257QJ(2) applies to SI relief attributable to shares held by two or more individuals.
- (2) Section 257QJ(3) has effect in relation to each individual as if the amount referred to as A were reduced by multiplying it by the fraction—

$$\frac{I}{T}$$

where—

I is the amount on which the individual obtains SI relief in respect of the shares to which SI relief is or, but for section 257QJ(2)(b), would be attributable, and

T is the total of that amount and the corresponding amount or amounts on which the other individual or individuals obtain SI relief in respect of such shares.

257QN Single issue treated as made partly in previous tax year

- (1) This section applies if—
 - (a) section 257QJ(2) applies to SI relief attributable to shares held by an individual, and
 - (b) part of the issue of shares has been treated as issued to the individual in a previous tax year for the purposes of section 257JA(1) and (2).

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(2) This subsection explains how the calculation under section 257QJ(3) is to be made.

Step 1 Apportion the amount referred to as A between the tax year in which the shares were issued and the previous tax year by multiplying that amount by the fraction—

$$\frac{I}{T}$$

where—

I is the amount on which the individual obtains SI relief in respect of the shares treated as issued in the tax year in question, and

T is the total of that amount and the corresponding amount in respect of the shares treated as issued in the other tax year.

Step 2 In relation to each of the amounts (“A1” and “A2”) so apportioned to the two tax years, calculate the amounts (“X1” and “X2”) that would be given by the formula if there were separate issues of shares in those tax years. In calculating amounts X1 and X2, apply section 257QO if appropriate but do not apply section 257QL or 257QM.

Step 3 Add amounts X1 and X2 together. The result is the required amount.

257QO Maximum relief not obtained for share issue

(1) This section applies if section 257QJ(2) applies to SI relief attributable to shares held by the investor and—

- (a) the amount of the reduction (“D”) in the investor's liability to income tax for any tax year in respect of the shares, is less than
- (b) the amount given by—

$$I \times R$$

where—

I is the amount on which the investor claims SI relief in respect of the investment, and

R is the SI rate for the tax year for which the SI relief was given.

(2) Section 257QJ(3) has effect as if the amount referred to as A were reduced by multiplying it by the fraction—

$$\frac{D}{I \times R}$$

(3) If the amount of SI relief attributable to any of the shares has been reduced before the SI relief was obtained, the amount referred to in subsections (1) and (2) as D is to be treated for the purposes of those subsections as the amount it would have been without that reduction.

(4) Subsection (3) does not apply to a reduction of SI relief by virtue of section 257N(5) (attribution of SI relief where there is a corresponding issue of bonus shares).

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257QP Repayment of authorised minimum within 12 months

- (1) This section applies if—
 - (a) a company issues share capital (“the original shares”) of nominal value equal to the authorised minimum (within the meaning of the Companies Act 2006) for the purposes of complying with section 761 of that Act (public company: requirement as to minimum share capital), and
 - (b) the registrar of companies issues the company with a certificate under that section.
- (2) Section 257QJ(2) does not apply in relation to any redemption of the original shares within 12 months of the date on which they were issued.

Miscellaneous

257QQ Acquisition of a trade or trading assets

- (1) Any SI relief attributable to the investment is withdrawn if—
 - (a) at any time in the longer applicable period, the social enterprise or any qualifying subsidiary—
 - (i) begins to carry on as its trade, or as part of its trade, a trade which was previously carried on at any time in that period otherwise than by the social enterprise or any qualifying subsidiary, or
 - (ii) acquires the whole, or the greater part, of the assets used for the purposes of a trade previously so carried on, and
 - (b) the investor is a person, or one of a group of persons, to whom subsection (2) or (3) applies.
- (2) This subsection applies to any person or group of persons—
 - (a) to whom an interest amounting in total to more than a half share in the trade (as previously carried on) belonged at any time in the longer applicable period, and
 - (b) who is or are a person or group of persons to whom such an interest in the trade carried on by the social enterprise belongs or has, at any such time, belonged.
- (3) This subsection applies to any person or group of persons who—
 - (a) control or, at any time in the longer applicable period, have controlled the social enterprise, and
 - (b) is or are a person or group of persons who, at any such time, controlled another company which previously carried on the trade.
- (4) For the purposes of subsection (2)—
 - (a) for the purpose of determining the person to whom a trade belongs and, if a trade belongs to two or more persons, their respective shares in that trade—
 - (i) apply section 941(6) of CTA 2010, and
 - (ii) an interest in a trade belonging to a company may be treated in accordance with any of the options set out in section 942 of that Act, and
 - (b) any interest, rights or powers of a person who is an associate of another person are treated as those of that other person.
- (5) If the investor—

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- (a) is a director of, or of a company which is a partner of, the social enterprise or any qualifying subsidiary, and
 - (b) is in receipt of, or entitled to receive, remuneration as such a director falling within section 257LF(5)(g) (reasonable remuneration for services),
- then, in determining whether any SI relief attributable to the investment is to be withdrawn, the reference in subsection (3)(b), and (so far as relating to that provision) the reference in subsection (1)(a)(i), to any time in the longer applicable period are to be read as references to any time before the end of the longer applicable period.
- (6) Section 257LF(8) (director also an employee) applies for the purposes of subsection (5) as it applies for the purposes of section 257LF, and in subsection (5) “remuneration” includes any benefit or facility.
 - (7) In this section “trade” includes any business or profession, and references to a trade previously carried on include references to part of such a trade.

257QR Acquisition of share capital

- (1) Any SI relief attributable to the investment is withdrawn if—
 - (a) the social enterprise comes to acquire all of the issued share capital of another company at any time in the longer applicable period, and
 - (b) the investor is a person, or one of a group of persons, to whom subsection (2) applies.
- (2) This subsection applies to any person or group of persons who—
 - (a) control or have, at any time in the longer applicable period, controlled the social enterprise, and
 - (b) is or are a person or group of persons who, at any such time, controlled the other company.
- (3) If the investor—
 - (a) is a director of, or of a company which is a partner of, the social enterprise or any qualifying subsidiary, and
 - (b) is in receipt of, or entitled to receive, remuneration as such a director falling within section 257LF(5)(g) (reasonable remuneration for services),

then, in determining whether any SI relief attributable to the investment is to be withdrawn, the reference in subsection (2)(b) to any time in the longer applicable period is to be read as a reference to any time before the end of the longer applicable period.
- (4) Section 257LF(8) (director also an employee) applies for the purposes of subsection (3) as it applies for the purposes of section 257LF, and in subsection (3) “remuneration” includes any benefit or facility.

257QS Relief subsequently found not to have been due

- (1) Any SI relief obtained by the investor which is subsequently found not to have been due must be withdrawn.
- (2) SI relief obtained by the investor in respect of the investment may not be withdrawn on the ground that the requirements of Chapter 4 are not met unless the requirements of subsection (3) are met.

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- (3) The requirements of this subsection are met if either—
- (a) the social enterprise has given notice under section 257SF in relation to the investment (information to be provided by the social enterprise etc), or
 - (b) an officer of Revenue and Customs has given notice to the social enterprise stating the officer's opinion that, because of the ground in question, the whole or any part of the SI relief attributable to the investment (whether alone or with other SI relief) was not due.

Disposals

257R Disposal of whole or part of the investment

- (1) This section applies if—
- (a) the investor disposes of the whole or part of the investment,
 - (b) the disposal takes place before the shorter applicable period ends,
 - (c) SI relief is attributable to the shares, or qualifying debt investments, disposed of,
 - (d) the disposal is not to an individual who—
 - (i) is the spouse, or civil partner, of the investor, and
 - (ii) is living together with the investor at the time of the disposal, and
 - (e) the disposal does not occur as a result of the investor's death.
- (2) If the disposal is not made by way of a bargain at arm's length, the SI relief attributable to those shares, or qualifying debt investments, must be withdrawn.
- (3) If the disposal is made by way of a bargain at arm's length, the SI relief attributable to those shares or qualifying debt investments must—
- (a) if it is greater than the amount given by the formula set out in subsection (4), be reduced by that amount, and
 - (b) in any other case, be withdrawn.

- (4) The formula is—

$$C \times R$$

where—

C is the amount or value of the consideration received by the investor for the shares or qualifying debt investments, and

R is the SI rate for the tax year for which the SI relief was given.

257RA Cases where maximum relief not obtained

- (1) Subsection (2) applies if the investor's liability to income tax for any tax year is reduced under this Part in respect of the investment and—
- (a) the amount of the reduction (“D”), is less than
 - (b) the amount given by—

$$A \times R$$

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where—

A is the amount on which the investor claims SI relief in respect of the investment, and

R is the SI rate for that tax year.

- (2) Section 257R(3) and (4) have effect as if the amount or value referred to as C were reduced by multiplying it by the fraction—

$$\frac{D}{A \times R}$$

- (3) If section 257JA(1) and (2) apply in the case of the investment as if part of it had been made in a previous tax year, subsections (1) and (2) of this section have effect as if that part and the remainder had been invested by separate investments (and that part had been invested by an investment made on a day in the previous tax year).
- (4) If the amount of SI relief attributable to the investment or any part of it has been reduced before SI relief was obtained, the amount referred to in subsections (1) and (2) as D is to be treated for the purposes of those subsections as the amount that it would have been without that reduction.
- (5) Subsection (4) does not apply to a reduction of SI relief by virtue of section 257N(5) (attribution of SI relief if there is a corresponding issue of bonus shares).

257RB Call options

- (1) This section applies if the investor grants an option which, if exercised, would bind the investor to sell the whole or part of investment.
- (2) The grant of the option is treated for the purposes of section 257R as a disposal—
- (a) of the investment, or
 - (b) (as the case may be) of the part of the investment to which the option relates.
- (3) Nothing in this section prejudices section 257LB (no pre-arranged exits).

257RC Put options

- (1) This section applies if, at any time in the longer applicable period, a person grants the investor an option which, if exercised, would bind the grantor to purchase the whole or part of the investment.
- (2) Any SI relief—
- (a) attributable to the investment, or
 - (b) (as the case may be) attributable to the part of the investment to which the option relates,
- must be withdrawn.
- (3) For the purposes of subsection (2)(b), the part of the investment to which an option relates is the part which, if—
- (a) the option were exercised immediately after the grant, and

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- (b) any investments made in the social enterprise by the investor after the grant were disposed of immediately after being made,
would be treated for the purposes of section 257R as disposed of in pursuance of the option.]

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 24B inserted by [2023 c. 30 Sch. 2 para. 10\(3\)](#)
- s. 788(7) inserted by [2007 c. 29 Sch. 21 para. 161\(b\)](#) (The amending provision was repealed before coming into force.)