

SCHEDULES

SCHEDULE 6

SEED ENTERPRISE INVESTMENT SCHEME

PART 2

RELIEF FOR CAPITAL GAINS

Disposal of shares to which SEIS relief is attributable

3 Before section 151 insert—

“150E Seed enterprise investment scheme

- (1) For the purpose of determining the gain or loss on any disposal of shares by an individual where—
 - (a) an amount of SEIS relief is attributable to the shares, and
 - (b) apart from this subsection there would be a loss,the consideration given by the individual for the shares is to be treated as reduced by the amount of the relief.
- (2) Where—
 - (a) shares are disposed of by an individual after the end of the period referred to in section 257AC(2) of ITA 2007,
 - (b) an amount of SEIS relief is attributable to the shares, and
 - (c) (apart from this subsection) there would be a gain,the gain is not a chargeable gain.
- (3) Despite section 16(2), subsection (2) does not apply to a disposal on which a loss accrues.
- (4) Subsection (5) applies where—
 - (a) an individual’s liability to income tax has been reduced (or treated by virtue of section 257H of ITA 2007 (spouses and civil partners) as reduced) for any tax year under section 257AB of that Act in respect of an issue of shares,
 - (b) the amount of the reduction (“R”) is less than the amount (“T”) which is equal to tax at the SEIS rate on the amount subscribed for the issue, and
 - (c) R is not within paragraph (b) solely by virtue of section 29(2) and (3) of ITA 2007.

Status: This is the original version (as it was originally enacted).

- (5) If there is a disposal of the shares on which there is a gain, subsection (2) applies only to so much of the gain as is found by multiplying it by the fraction—

$$\frac{R}{T}$$

- (6) Any question as to—
- (a) which of any shares that—
 - (i) are acquired by an individual at different times, and
 - (ii) are shares to which SEIS relief is attributable,
 a disposal relates to, or
 - (b) whether a disposal relates to shares to which SEIS relief is attributable,

is to be determined for the purposes of capital gains tax as for the purposes of section 257HA of ITA 2007.

Chapter 1 of this Part has effect subject to this subsection.

- (7) Sections 104, 105 and 106A do not apply to shares to which SEIS relief is attributable.
- (8) Where—
- (a) an individual holds shares (“the existing holding”) which form part of the ordinary share capital of a company,
 - (b) there is, by virtue of any such allotment for payment as is mentioned in section 126(2)(a), a reorganisation affecting the existing holding, and
 - (c) immediately following the reorganisation, SEIS relief is attributable to the existing holding or the allotted shares,
- sections 127 to 130 do not apply in relation to the existing holding.
- (9) Sections 135 and 136 do not apply in respect of shares to which SEIS relief is attributable.
- (10) Subsection (9) does not have effect to disapply section 135 or 136 where—
- (a) the new holding consists of new ordinary shares carrying no present or future preferential right to dividends or to a company’s assets on its winding up and no present or future right to be redeemed,
 - (b) the new shares are issued after the end of the relevant period, and
 - (c) the condition in subsection (11) is satisfied.
- (11) The condition is that at some time before the issue of the new shares—
- (a) the company issuing them issued eligible shares, and
 - (b) a certificate in relation to those eligible shares was issued by the company for the purposes of section 257EB(1) of ITA 2007 and in accordance with sections 257EC and 257ED of that Act.
- (12) All such adjustments of capital gains tax are to be made, whether by way of assessment or by way of discharge or repayment of tax, as may be required in consequence of the SEIS relief being given or withdrawn.

Status: This is the original version (as it was originally enacted).

- (13) Where shares to which SEIS relief is attributable are exchanged for other shares in circumstances such that section 257HB of ITA 2007 (acquisition of share capital by new company) applies—
- (a) subsection (9) above does not have effect to disapply section 135, and
 - (b) sections 257HB(3)(b), 257HC(2)(a) and 257HD of ITA 2007 apply for the purposes of this section as they apply for the purposes of Part 5A of that Act.
- (14) For the purposes of this section—
- “eligible shares” means shares that meet the requirements of section 257CA(2);
 - “new holding” is to be construed in accordance with sections 126, 127, 135 and 136;
 - “ordinary share capital” has the meaning given in section 989 of ITA 2007;
 - “ordinary shares”, in relation to a company, means shares forming part of its ordinary share capital;
 - “relevant period” means the period found by applying section 257AC(2) of ITA 2007 by reference to the company issuing the shares referred to in subsection (9) and by reference to those shares;
 - “the SEIS rate” has the meaning given by section 257AB(3) of ITA 2007;
 - “SEIS relief” means relief under Part 5A of ITA 2007 (seed enterprise investment scheme);
- and that Part applies to determine whether SEIS relief is attributable to any shares and, if so, the amount of SEIS relief so attributable.

150F Seed enterprise investment scheme: reduction of relief

- (1) This section has effect where—
- (a) section 150E(2) applies on a disposal of shares, and
 - (b) before the disposal, value is received in circumstances where SEIS relief attributable to the shares is reduced by an amount under section 257FE(2)(a) of ITA 2007.

- (2) If section 150E(2) applies on the disposal but section 150E(5) does not, section 150E(2) applies only to so much of the gain as remains after deducting so much of it as is found by multiplying it by the fraction—

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

where—

A is the amount by which the SEIS relief attributable to the shares is reduced as mentioned in subsection (1), and

B is the amount of the relief attributable to the shares.

- (3) If section 150E(2) and (5) apply on the disposal, section 150E(2) applies only to so much of the gain as is found by—

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- (a) taking the part of the gain found under section 150E(5), and
 - (b) deducting from that part so much of it as is found by multiplying it by the fraction mentioned in subsection (2) above.
- (4) Where the SEIS relief attributable to the shares is reduced as mentioned in subsection (1) by more than one amount, “A” in subsection (2) is to be taken to be equal to the aggregate of the amounts.
- (5) The amount which is “B” in subsection (2) is to be found without regard to any reduction mentioned in subsection (1).
- (6) For the purposes of this section, Part 5A of ITA 2007 (seed enterprise investment scheme) applies to determine whether SEIS relief is attributable to any shares and, if so, the amount of SEIS relief so attributable.”