
Changes to legislation: There are currently no known outstanding effects for the Finance Act 2018, Cross
Heading: Maximum amount raised annually by knowledge-intensive company. (See end of Document for details)

SCHEDULES

SCHEDULE 4

EIS AND VCT RELIEFS: KNOWLEDGE-INTENSIVE COMPANIES

Maximum amount raised annually by knowledge-intensive company

- 2 (1) Section 173A of ITA 2007 (the maximum amount raised annually through risk finance investments requirement for EIS relief) is amended as follows.
- (2) In subsection (1), for “must not exceed £5 million” substitute “must not exceed—
- (a) if the company is a knowledge-intensive company at that date (see section 252A and subsection (5A)), £10 million, and
 - (b) in any other case, £5 million.”
- (3) After subsection (5) insert—
- “(5A) If the issuing company began to carry on a trade less than three years before the date the relevant shares are issued, section 252A as it applies for the purposes of this section has effect with the substitution of the following subsections for subsections (2) to (4A)—
- “(2) The first operating costs condition is that in at least one of the relevant three succeeding years at least 15% of the relevant operating costs constitute expenditure on research and development or innovation.
 - (3) The second operating costs condition is that in each of the relevant three succeeding years at least 10% of the relevant operating costs constitute such expenditure.
 - (4) In subsections (2) and (3)—
“relevant operating costs” means—
 - (a) if the issuing company is a single company at the time the relevant shares are issued, the operating costs of that company, and
 - (b) if the issuing company is a parent company at the time the relevant shares are issued, the sum of—
 - (i) the operating costs of the issuing company, and
 - (ii) the operating costs of each company which is a qualifying subsidiary of the issuing company at that time, excluding a company's operating costs for any of the relevant three succeeding years during any part of which the company is not a qualifying subsidiary of the issuing company;

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“the relevant three succeeding years” means the three consecutive years the first of which begins with the date the relevant shares are issued.””

Commencement Information

II Sch. 4 para. 2 in force at 6.4.2018 for the purposes of the amendments made by that paragraph by S.I. 2018/931, reg. 3(a)

3 (1) Section 292A of ITA 2007 (the maximum amount raised annually through risk finance investments requirement for VCT relief) is amended as follows.

- (2) In subsection (1), for “must not exceed £5 million” substitute “must not exceed—
- (a) if the company is a knowledge-intensive company at that date (see section 331A and subsection (6A)), £10 million, and
 - (b) in any other case, £5 million.”

(3) After subsection (6) insert—

“(6A) If the relevant company began to carry on a trade less than three years before the date the relevant holding is issued, section 331A as it applies for the purposes of this section has effect with the substitution of the following subsections for subsections (3) to (5A)—

“(3) The first operating costs condition is that in at least one of the relevant three succeeding years at least 15% of the relevant operating costs constitute expenditure on research and development or innovation.

(4) The second operating costs condition is that in each of the relevant three succeeding years at least 10% of the relevant operating costs constitute such expenditure.

(5) In subsections (3) and (4)—

“relevant operating costs” means—

- (a) if the relevant company is a single company at the applicable time, the operating costs of that company, and
- (b) if the relevant company is a parent company at the applicable time, the sum of—
 - (i) the operating costs of the relevant company, and
 - (ii) the operating costs of each company which is a qualifying subsidiary of the relevant company at that time, excluding a company's operating costs for any of the relevant three succeeding years during any part of which the company is not a qualifying subsidiary of the relevant company;

“the relevant three succeeding years” means the three consecutive years the first of which begins with the date the relevant holding is issued.””

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Commencement Information

I2 Sch. 4 para. 3 in force at 6.4.2018 for the purposes of the amendments made by that paragraph by S.I. 2018/931, reg. 3(b)

4 In section 297B of ITA 2007 (the proportion of skilled employees requirement for VCT relief), in subsection (2)(a), after “sections” insert “ 292A, ”.

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Commencement Information

I3 Sch. 4 para. 4 in force at 6.4.2018 for the purposes of the amendments made by that paragraph by S.I. 2018/931, reg. 3(b)

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