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*Changes to legislation: There are currently no known outstanding effects  
for the Finance Act 2012, Paragraph 30. (See end of Document for details)*

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## SCHEDULES

### SCHEDULE 7

#### ENTERPRISE INVESTMENT SCHEME

#### PART 2

#### ENTERPRISE INVESTMENT SCHEME: CHARGEABLE GAINS

##### *No disqualifying arrangements*

30 After paragraph 11 insert—

##### *“Disqualifying arrangements*

- 11A (1) Where an individual subscribes for eligible shares (“the shares”) in a company (“the company”), the shares are to be treated as not being eligible shares for the purposes of this Schedule if the shares are issued, nor any money raised by the issue employed, in consequence or anticipation of, or otherwise in connection with, disqualifying arrangements.
- (2) Arrangements are “disqualifying arrangements” if—
- (a) the main purpose, or one of the main purposes, of the arrangements is to secure—
    - (i) that a qualifying business activity is or will be carried on by the company or a qualifying 90% subsidiary of the company, and
    - (ii) that one or more persons (whether or not including any party to the arrangements) may obtain relevant tax relief in respect of shares issued by the company which raise money for the purposes of that activity or that such shares may comprise part of the qualifying holdings of a venture capital trust,
  - (aa) that activity is the relevant qualifying business activity, and
  - (b) one or both of conditions A and B are met.
- (3) Condition A is that, as a (direct or indirect) result of the money raised by the issue of the shares being employed as required by paragraph 1(2)(g), an amount representing the whole or the majority of the amount raised is, in the course of the arrangements, paid to or for the benefit of a relevant person or relevant persons.
- (4) Condition B is that, in the absence of the arrangements, it would have been reasonable to expect that the whole or greater part of the component activities of the relevant qualifying business activity would have been carried on as part of another business by a relevant person or relevant persons.

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(5) For the purposes of this paragraph, it is immaterial whether the company is a party to the arrangements.

(6) In this paragraph—

“component activities” means—

- (a) if the relevant qualifying business activity is activity A (see section 179(2) of ITA 2007), the carrying on of a qualifying trade, or preparing to carry on such a trade, which constitutes that activity, and
- (b) if the relevant qualifying business activity is activity B (see section 179(4) of that Act), the carrying on of research and development which constitutes that activity;

“qualifying holdings”, in relation to the issuing company, is to be construed in accordance with section 286 of ITA 2007 (VCTs: qualifying holdings);

“qualifying 90% subsidiary” has the meaning given by section 190 of ITA 2007;

“relevant person” means a person who is a party to the arrangements or a person connected with such a party;

“relevant qualifying business activity” means the activity for the purposes of which the issue of the shares raised money;

“relevant tax relief”, in respect of shares, means one or more of the following—

- (a) relief under this Schedule in consequence of which deferral relief is attributable to the shares;
- (b) relief under section 150A or 150E (enterprise investment scheme or seed enterprise investment scheme) in respect of the shares;
- (c) relief under Schedule 5BB (seed enterprise investment scheme: re-investment) in consequence of which SEIS re-investment relief is attributable to the shares (see paragraph 4 of that Schedule);
- (d) relief under Chapter 6 of Part 4 of ITA 2007 (losses on disposal of shares) in respect of the shares;
- (e) EIS relief (within the meaning of Part 5 of that Act) in respect of the shares;
- (f) SEIS relief (within the meaning of Part 5A of that Act) in respect of the shares.”

**Changes to legislation:**

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