

---

*Changes to legislation: There are currently no known outstanding effects for the Finance Act 2001, Paragraph 31. (See end of Document for details)*

---

## SCHEDULES

### SCHEDULE 15

#### ENTERPRISE INVESTMENT SCHEME: AMENDMENTS

##### PART 2

##### POSTPONEMENT OF CHARGEABLE GAIN ON REINVESTMENT

31 After paragraph 13 insert—

**“Provision supplemental to paragraph 13**

13A(1) For the purposes of paragraph 13 above, the value received by the individual in question is—

- (a) in a case within sub-paragraph (2)(a), (b) or (c) of that paragraph, the amount received by the individual or, if greater, the market value of the share capital, securities or debt in question;
  - (b) in a case within sub-paragraph (2)(d) of that paragraph, the amount of the liability;
  - (c) in a case within sub-paragraph (2)(e) of that paragraph, the amount of the loan or advance reduced by the amount of any repayment made before the issue of the shares;
  - (d) in a case within sub-paragraph (2)(f) of that paragraph, the cost to the company of providing the benefit or facility less any consideration given for it by the individual;
  - (e) in a case within sub-paragraph (2)(g) or (h) of that paragraph, the difference between the market value of the asset and the consideration (if any) given for it;
  - (f) in a case within sub-paragraph (2)(i) of that paragraph, the amount of the payment;
  - (g) in a case within sub-paragraph (5) of that paragraph, the amount received by the individual or, if greater, the market value of the share capital or securities in question.
- (2) In this paragraph and paragraph 13 above references to a receipt of insignificant value (however expressed) are references to a receipt of an amount of insignificant value.

This is subject to sub-paragraph (4) below.

- (3) For the purposes of this paragraph and paragraph 13 above “an amount of insignificant value” means an amount of value which—
- (a) does not exceed £1,000, or
  - (b) if it exceeds that amount, is insignificant in relation to the total amount of expenditure on the shares which is set under this Schedule

---

*Changes to legislation: There are currently no known outstanding effects  
for the Finance Act 2001, Paragraph 31. (See end of Document for details)*

---

against a corresponding total amount of the whole or any part of any chargeable gains.

- (4) For the purposes of paragraph 13 above, if, at any time in the period—
- (a) beginning one year before the shares are issued, and
  - (b) expiring at the end of the issue date,
- arrangements are in existence which provide for the individual who subscribes for the shares to receive or to be entitled to receive, at any time in the period of restriction, any value from the company that issued the shares, no amount of value received by the individual shall be treated as a receipt of insignificant value.
- (5) In sub-paragraph (4) above—
- (a) any reference to the individual includes a reference to any person who, at any time in the period of restriction, is an associate of his (whether or not he is such an associate at the material time), and
  - (b) the reference to the company includes a reference to any person who, at any time in the period of restriction, is connected with the company (whether or not that person is so connected at the material time).

### **Receipt of replacement value**

13B (1) Where—

- (a) by reason of a receipt of value within sub-paragraph (2) (other than paragraph (b)) or sub-paragraph (5) of paragraph 13 above (“the original value”), the shares would, in the absence of this paragraph, be treated as never having been eligible shares or as ceasing to be eligible shares on the date when the value is received,
- (b) the original supplier receives value (“the replacement value”) from the original recipient by reason of a qualifying receipt, and
- (c) the amount of the replacement value is not less than the amount of the original value,

the receipt of the original value shall be disregarded for the purposes of paragraph 13 above.

- (2) This paragraph is subject to paragraph 13C below.
- (3) For the purposes of this paragraph and paragraph 13C below—
- “the original recipient” means the person who receives the original value, and
  - “the original supplier” means the person from whom that value was received.
- (4) A receipt of the replacement value is a qualifying receipt for the purposes of sub-paragraph (1) above if it arises—
- (a) by reason of the original recipient doing one or more of the following—
    - (i) making a payment to the original supplier, other than a payment which falls within paragraph (c) below or to which sub-paragraph (5) below applies;

---

*Changes to legislation: There are currently no known outstanding effects for the Finance Act 2001, Paragraph 31. (See end of Document for details)*

---

- (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;
    - (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) where the receipt of the original value was within paragraph 13(2)(d) above, by reason of an event the effect of which is to reverse the event which constituted the receipt of the original value; or
  - (c) where the receipt of the original value was within paragraph 13(5) above, by reason of the original recipient repurchasing the share capital or securities in question, or (as the case may be) reacquiring the right in question, for a consideration the amount or value of which is not less than the amount of the original value.
- (5) This sub-paragraph applies to—
  - (a) any payment for any goods, services or facilities, provided (whether in the course of a trade or otherwise) by—
    - (i) the original supplier, or
    - (ii) any other person who, at any time in the period of restriction, is an associate of, or connected with, that supplier (whether or not that person is such an associate, or so connected, at the material time),which is reasonable in relation to the market value of those goods, services or facilities;
  - (b) any payment of any interest which represents no more than a reasonable commercial return on money lent to—
    - (i) the original recipient, or
    - (ii) any person who, at any time in the period of restriction, is an associate of his (whether or not he 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 period of restriction, is an associate of his (whether or not he 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 (within the meaning of paragraph 13(11) above); and
  - (f) any payment for shares in or securities of any company in circumstances that do not fall within sub-paragraph (4)(a)(ii) above.
- (6) For the purposes of this paragraph, the amount of the replacement value is—
  - (a) in a case within paragraph (a) of sub-paragraph (4) above, the aggregate of—
    - (i) the amount of any payment within sub-paragraph (i) of that paragraph, and

---

*Changes to legislation: There are currently no known outstanding effects for the Finance Act 2001, Paragraph 31. (See end of Document for details)*

---

- (ii) the difference between the market value of any asset within sub-paragraph (ii) or (iii) of that paragraph and the amount or value of the consideration (if any) received for it,
  - (b) in a case within sub-paragraph (4)(b) above, the same as the amount of the original value, and
  - (c) in a case within sub-paragraph (4)(c) above, the amount or value of the consideration received by the original supplier,
- and paragraph 13A(1) above applies for the purposes of determining the amount of the original value.
- (7) In this paragraph any reference to a payment to a person (however expressed) includes a reference to a payment made to him indirectly or to his order or for his benefit.

**Provision supplemental to paragraph 13B**

13C (1) The receipt of the replacement value by the original supplier shall be disregarded for the purposes of paragraph 13B above, as it applies in relation to the shares, to the extent to which that receipt has previously been set (under that paragraph) against any receipts of value which are, in consequence, disregarded for the purposes of paragraph 13 above as that paragraph applies in relation to those shares or any other shares subscribed for by the individual in question (“the individual”).

- (2) The receipt of the replacement value by the original supplier (“the event”) shall also be disregarded for the purposes of paragraph 13B above if—
- (a) the event occurs before the start of the period of restriction, or
  - (b) in a case 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
  - (c) where an appeal has been brought by the individual against an assessment made by virtue of paragraph 3(1)(e) above by reason of that receipt, the event occurs more than 60 days after the appeal has been finally determined.

But nothing in paragraph 13B above or this paragraph requires the replacement value to be received after the original value.

- (3) Sub-paragraph (4) below applies where—
- (a) the receipt of the replacement value by the original supplier is a qualifying receipt for the purposes of paragraph 13B(1) above, and
  - (b) the event which gives rise to the receipt is (or includes) a subscription for shares by—
    - (i) the individual, or
    - (ii) any person who, at any time in the period of restriction, is an associate of the individual, whether or not he is such an associate at the material time.
- (4) Where this sub-paragraph applies, the person who subscribes for the shares shall not—
- (a) be eligible for any relief under Chapter 3 of Part 7 of the Taxes Act (enterprise investment scheme: income tax relief) in relation to those shares or any other shares in the same issue, or

*Changes to legislation: There are currently no known outstanding effects for the Finance Act 2001, Paragraph 31. (See end of Document for details)*

---

- (b) by virtue of his subscription for those shares or any other shares in the same issue, be treated as making a qualifying investment for the purposes of this Schedule.
- (5) In this paragraph “the original value” and “the replacement value” shall be construed in accordance with paragraph 13B above.”.

**Changes to legislation:**

There are currently no known outstanding effects for the Finance Act 2001, Paragraph 31.