

*These notes refer to the Income Tax Act 2007 (c.3)
which received Royal Assent on 20 March 2007*

INCOME TAX ACT 2007

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Part 5: Enterprise investment scheme

Overview

Chapter 6: Withdrawal or reduction of EIS relief

Overview

Section 224: Repayments etc of share capital to other persons

711. This section reduces or withdraws EIS relief in certain cases where, broadly, the issuing company (group) repays some of its share capital within period C relating to the issue of shares in question. It is based on sections 303(1) to (1C), (9A) and (9B), 303AA(2), 303A(2) and 312(1) of ICTA.
712. *Subsection (2)* sets out the calculation of the withdrawal or reduction in the simplest case where the repayment affects only a single issue of shares and only a single subscriber to that issue.
713. *Subsection (3)* provides a signpost to other sections that, depending on the particular combination of circumstances present, may modify (or remove the need for) the calculation in subsection (2). Subsection (3) makes explicit the order in which to apply sections 226 to 229.
714. *Subsections (4) and (5)* prevent this section applying in two cases. First, where the repayment causes a withdrawal or reduction of EIS relief (under other sections) or of relief under Schedule 15 to FA 2000 (the corporate venturing scheme) or precipitates a qualifying chargeable event for the purposes of Schedule 5B to TCGA (enterprise investment scheme: reinvestment). Second, where there would be a withdrawal etc in these cases if the repayment were not treated as insignificant.
715. The references in subsections (4)(b) and (c) to “that person’s shares in the issuing company” are more explicit than in the source legislation and are consistent with section 303(IB)(a) of ICTA.
716. *Subsection (6)* is new and corresponds to paragraph 58(1) of Schedule 15 to FA 2000 (corporate venturing scheme - supplementary to value received). See *Change 50* in Annex 1.