

*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 210: Cases where maximum EIS relief not obtained

676. This section deals with the case where EIS relief on a subscription for shares was effectively obtained for a tax year at a rate that is below the savings rate of tax for the tax year concerned. It is based on sections 289B(5) and 299(4) of ICTA.
677. *Subsection (1)* effectively reduces the rate at which section 209(3)(a) recovers EIS relief on the proceeds from a disposal of the shares concerned. The rate of recovery is reduced, from the savings rate of tax for the year in which the shares were issued, to the rate at which EIS relief was effectively obtained.
678. The subsection also caters for cases where an individual claims EIS relief in respect of some, but not all, of the shares in relation to which the individual is eligible for relief. See the commentary on section 158 and *Change 36* in Annex 1.
679. *Subsection (2)* deals with the complication that arises where the investor has obtained relief on some of the shares as if they were issued in the previous tax year. Subsection (1) is then applied as if there were two separate issues. That is necessary because the investor may have obtained EIS relief at different effective rates in the two years concerned (and one or both of these effective rates could be less than the savings rate for the tax year concerned).
680. *Subsections (3) and (4)* are new and correspond to provisions in paragraph 46(5) and (6) of Schedule 15 to FA 2000 (corporate venturing scheme - disposal of shares). See *Change 48* in Annex 1.