

*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 7: Community investment tax relief

Overview

Chapter 3: Qualifying investments

Overview

Section 346: Conditions to be met in relation to securities

983. This section sets out the two conditions applicable to securities. It is based on paragraph 10 of Schedule 16 to FA 2002.
984. Condition A (*subsection (1)*) requires that securities must be subscribed for wholly in cash and fully paid for on the investment date. It is in similar terms to section 347(1) which sets out identical requirements in relation to shares.
985. [Section 347\(3\)](#) (based on paragraph 11(1) of Schedule 16 to FA 2002) provides that shares are not fully paid up for the purposes of section 347(1) if there is any undertaking to pay cash to the CDFI at a future date in connection with the acquisition of the shares. The effect of this is to distinguish the meaning of “paid up” for that purpose from the meaning of those words for the purposes of the Companies Act 1985. Section 738(2) of that Act provides that a share is deemed paid up in cash, or allotted for cash, if the consideration for the allotment or payment up is an undertaking to pay cash to the company at a future date.
986. There is no similar provision in the Companies Act 1985 applicable to the issue of securities, but the position in relation to securities has been made explicit by the inclusion of *subsection (3)*, equivalent to section 347(3). This clarification is not a change in either law or practice.