



Income Tax Act 2007

2007 CHAPTER 3

PART 5

ENTERPRISE INVESTMENT SCHEME

CHAPTER 1

INTRODUCTION

EIS relief

156 Meaning of “EIS relief” and commencement

- (1) This Part provides for EIS income tax relief (“EIS relief”), that is, entitlement to tax reductions in respect of amounts subscribed by individuals for shares.
- (2) In this Part “EIS” stands for the enterprise investment scheme.
- (3) In accordance with section 1034(3), this Part has effect only in relation to shares issued on or after 6 April 2007.

This is subject to Schedule 2 (transitional provisions and savings).

157 Eligibility for EIS relief

- (1) An individual (“the investor”) is eligible for EIS relief in respect of an amount subscribed by the investor on the investor's own behalf for an issue of shares in a company (“the issuing company”) if—
 - (a) the shares (“the relevant shares”) are issued to the investor,
 - (b) the investor is a qualifying investor in relation to the relevant shares (see Chapter 2),

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- (c) the general requirements (including requirements as to the purpose of the issue of shares and the use of money raised) are met in respect of the relevant shares (see Chapter 3), and
 - (d) the issuing company is a qualifying company in relation to the relevant shares (see Chapter 4).
- (2) To be eligible for EIS relief in respect of an amount subscribed for shares issued by the issuing company in a tax year, the investor must have subscribed at least £500 for shares in the issuing company which—
- (a) meet the requirements of section 173(2) (ordinary shares which carry no preferential rights or rights of redemption), and
 - (b) are issued in the tax year.
- (3) Subsection (2) is subject to section 251(3) (approved investment funds).

158 Form and amount of EIS relief

- (1) If an individual—
- (a) is eligible for EIS relief in respect of any amount subscribed for shares, and
 - (b) makes a claim in respect of all or some of the shares included in the issue,
- the individual is entitled to a tax reduction for the tax year in which the shares were issued (“the current year”).
- This is subject to the provisions of this Part.
- (2) The amount of the tax reduction to which the individual is entitled is the amount equal to tax at the savings rate for the current year on—
- (a) the amount or, as the case may be, the sum of the amounts subscribed for shares issued in that year in respect of which the individual is eligible for and claims EIS relief, or
 - (b) if less, £400,000.
- (3) The tax reduction is given effect at Step 6 of the calculation in section 23.
- (4) Subject to subsection (5), if in the case of any issue of shares—
- (a) which are issued before 6 October in the current year, and
 - (b) in respect of the amount subscribed for which the individual is eligible for EIS relief,
- the individual so claims, subsections (1) and (2) apply as if, in respect of such part of that issue as may be specified in the claim, the shares had been issued in the preceding tax year; and the individual's liability to tax for both tax years is determined accordingly.
- (5) But—
- (a) no more than half the shares included in an issue may be treated under subsection (4) as issued in the preceding tax year, and
 - (b) the total amount subscribed for any shares (included in any issues) treated under subsection (4) as issued in that year is not to exceed £50,000.

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Miscellaneous

159 Periods A, B and C

- (1) This section applies for the purposes of this Part in relation to any shares issued by a company.
- (2) “Period A” means the period—
 - (a) beginning—
 - (i) with the incorporation of the company, or
 - (ii) if the company was incorporated more than two years before the date on which the shares were issued, two years before that date, and
 - (b) ending immediately before the termination date relating to the shares (see section 256).
- (3) “Period B” means the period—
 - (a) beginning with the issue of the shares, and
 - (b) ending immediately before the termination date relating to the shares.
- (4) “Period C” means the period—
 - (a) beginning 12 months before the issue of the shares, and
 - (b) ending immediately before the termination date relating to the shares.

160 Overview of other Chapters of Part

In this Part—

- (a) Chapter 5 provides for the attribution of EIS relief to shares and the making of claims for such relief,
- (b) Chapter 6 provides for EIS relief to be withdrawn or reduced in the circumstances mentioned in that Chapter,
- (c) Chapter 7 makes provision with respect to the procedure for the withdrawal or reduction of EIS relief, and
- (d) Chapter 8 contains supplementary and general provisions.

161 Other tax reliefs relating to EIS

- (1) Chapter 6 of Part 4 (losses on disposal of shares) provides for relief against the income of an individual who incurs an allowable loss for capital gains tax purposes on a disposal of shares to which EIS relief is attributable.
- (2) Subsection (3) of section 392 (loan to buy interest in close company) provides that subsection (2)(a) of that section does not apply if at any time—
 - (a) the individual by whom the shares are acquired, or
 - (b) that individual's spouse or civil partner,makes a claim for EIS relief in respect of the shares.
- (3) Section 150A of TCGA 1992 makes provision about gains or losses on the disposal of shares to which EIS relief is attributable.
- (4) Schedule 5B to TCGA 1992 provides relief in respect of the re-investment under EIS of the proceeds of assets disposed of in circumstances where there would otherwise be a chargeable gain.

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- (5) Schedule 5BA to TCGA 1992 provides for the application of taper relief in cases where EIS relief or relief under Schedule 5B to that Act applies.

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