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SCHEDULES

SCHEDULE 12

Section 57

INVESTMENTS IN SOCIAL ENTERPRISES: CAPITAL GAINS

- 1 TCGA 1992 is amended as follows.
- 2 After section 255 insert—

“Investments in social enterprises

255A Hold-over relief for gains re-invested in social enterprises

Schedule 8B to this Act (which provides relief in respect of gains re-invested in social enterprises) has effect.

255B Gains and losses on investments in social enterprises

- (1) For the purpose of determining the gain or loss on any disposal of an asset by an individual where—
 - (a) an amount of SI relief is attributable to the asset, and
 - (b) apart from this subsection there would be a loss,treat the consideration given by the individual for the acquisition of the asset as reduced by the amount of the SI relief.
- (2) If—
 - (a) an individual disposes of an asset,
 - (b) an amount of SI relief is attributable to the asset,
 - (c) the disposal takes place after the end of the 3 years beginning with the day when the individual acquired the asset, and
 - (d) apart from this subsection, there would be a gain on the disposal,the gain is not a chargeable gain, subject to section 255C.
- (3) Despite section 16(2), subsection (2) above does not apply to a disposal on which a loss accrues.
- (4) Any question as to—
 - (a) which of any assets acquired by an individual at different times a disposal relates to, being assets to which SI relief is attributable, or
 - (b) whether a disposal relates to assets to which SI relief is attributable or to other assets,is to be determined for the purposes of capital gains tax as provided by section 257TA of ITA 2007.
- (5) Chapter 1 of this Part has effect subject to subsection (4).

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- (6) Sections 104, 105 and 106A do not apply to assets to which SI relief is attributable.
- (7) There are to be made all such adjustments of capital gains tax, whether by way of assessment or by way of discharge or repayment of tax, as may be required in consequence of SI relief being given or withdrawn.
- (8) In this section and sections 255C to 255E “SI relief” means relief under Part 5B of ITA 2007 (income tax relief for investments in social enterprises).
- (9) That Part applies for the purposes of this section and sections 255C to 255E to determine whether SI relief is attributable to any asset and, if so, the amount of SI relief so attributable.

255C Application of section 255B(2) where maximum SI relief not obtained

- (1) Subsection (2) applies if—
 - (a) an individual's liability to income tax has been reduced (or treated by virtue of section 257T of ITA 2007 (spouses or civil partners) as reduced) for any tax year under section 257JA of ITA 2007 (SI relief) in respect of the acquisition of an asset,
 - (b) the amount of the reduction (“D”) is less than the amount given by—

$$I \times R$$

where—

I is the amount on which the individual has SI relief in the case of the asset, and

R is the SI rate for the tax year for which the SI relief was obtained, and

- (c) D is not within paragraph (b) solely by virtue of section 29(2) and (3) of ITA 2007.
- (2) If the individual disposes of the asset and there is a gain on the disposal, section 255B(2) has effect in relation to the gain as if it were reduced by multiplying it by—

$$\frac{D}{I \times R}$$

- (3) In this section “SI rate” has the meaning given by section 257JA(5) of ITA 2007.

255D Application of section 255B(2) where SI relief has been reduced

- (1) Subsection (2) applies if before a disposal of an asset—
 - (a) value is received in circumstances where SI relief attributable to the asset is reduced by an amount under section 257Q(1)(a) of ITA 2007, or

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- (b) there is a repayment, redemption, repurchase or payment in circumstances where SI relief attributable to the asset is reduced by an amount under section 257QJ(2)(a) of ITA 2007, or
 - (c) paragraphs (a) and (b) both apply.
- (2) If section 255B(2) applies on the disposal but section 255C does not, section 255B(2) applies only to so much of the gain as remains after deducting so much of it as is found by multiplying it by the fraction—

$$\frac{A}{B}$$

where—

A is equal to the amount by which the SI relief given in respect of the asset is reduced as mentioned in subsection (1) above, and

B is equal to the amount of the SI relief given in respect of the asset.

- (3) If sections 255B(2) and 255C apply on the disposal, section 255B(2) applies only to so much of the gain as is found by—
- (a) taking the part of the gain found under section 255C, and
 - (b) deducting from that part so much of it as is found by multiplying it by the fraction mentioned in subsection (2).
- (4) If the SI relief given in respect of the asset is reduced as mentioned in subsection (1) by more than one amount, the amount referred to as A in subsection (2) is to be taken to be equal to the aggregate of those amounts.
- (5) The amount referred to in subsection (2) as B is to be found without regard to any reduction mentioned in subsection (1).

255E Reorganisations involving shares to which SI relief is attributable

- (1) Subsection (2) applies if an individual holds shares which form part of the ordinary share capital of a company and include shares of more than one of the following kinds—
- (a) shares to which SI relief is attributable and to which subsection (3) applies,
 - (b) shares to which SI relief is attributable and to which subsection (3) does not apply, and
 - (c) shares to which SI relief is not attributable and to which subsection (3) does not apply.
- (2) If there is a reorganisation within the meaning of section 126 affecting the shares listed in subsection (1), section 127 applies separately to those shares so that shares of each kind are treated as a separate holding of original shares and identified with a separate new holding.
- (3) This subsection applies to any shares if—
- (a) expenditure on the shares has been set under Schedule 8B to this Act against the whole or part of any gain, and

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- (b) in relation to the shares there has been no chargeable event for the purposes of that Schedule.
- (4) If—
- (a) an individual holds shares (“the existing holding”) which form part of the ordinary share capital of a company,
 - (b) there is, by virtue of any such allotment for payment as is mentioned in section 126(2)(a), a reorganisation affecting the existing holding, and
 - (c) immediately following the reorganisation, SI relief is attributable to the existing holding or the allotted shares,
- sections 127 to 130 do not apply in relation to the existing holding.
- (5) Subject to subsection (6), sections 135 and 136 do not apply in respect of shares to which SI relief is attributable.
- (6) Subsection (5) does not have effect to disapply section 135 or 136 in a case where the original shares are shares to which SI relief is attributable if—
- (a) the new holding consists of new ordinary shares which meet conditions A and B of section 257L of ITA 2007,
 - (b) the new shares are issued after the end of three years beginning with the day on which the original shares were acquired,
 - (c) before issuing the new shares, the company had issued shares which met conditions A and B of section 257L of ITA 2007, and
 - (d) the company issued a compliance certificate in relation to those earlier shares for the purposes of section 257PA(1) of ITA 2007 and in accordance with sections 257PB and 257PC of ITA 2007.
- (7) In subsection (6) “new holding” is to be construed in accordance with sections 126, 127, 135 and 136.
- (8) In this section—
- “ordinary share capital” has the meaning given in section 989 of ITA 2007;
 - “ordinary shares”, in relation to a company, means shares forming part of its ordinary share capital.”

3 Before Schedule 9 insert—

“SCHEDULE
8B

Section 255A

HOLD-OVER RELIEF FOR GAINS RE-INVESTED IN SOCIAL ENTERPRISES

When does the Schedule apply?

- 1 (1) This Schedule applies if—
- (a) a chargeable gain accrues to an individual (“the investor”),
 - (b) the investor acquires one or more assets (“the social holding”),
 - (c) the investor is eligible for SI relief under Part 5B of ITA 2007 in respect of the consideration given for the social holding, and
 - (d) conditions A, B, C, D and E are met.

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- (2) Condition A is that the gain is one that accrues—
 - (a) on the disposal by the investor of an asset,
 - (b) in accordance with section 169N (but see sub-paragraph (7)), or
 - (c) as a result of the operation of paragraph 5 in connection with a chargeable event within paragraph 6(1)(c) or (d).
 - (3) Condition B is that the gain is one that accrues—
 - (a) on or after 6 April 2014, and
 - (b) before 6 April 2019 (but see sub-paragraph (8)).
 - (4) Condition C is that the investor is resident in the United Kingdom—
 - (a) when the gain accrues, and
 - (b) when the social holding is acquired.
 - (5) Condition D is that the social holding is acquired by the investor on the investor's own behalf.
 - (6) Condition E is that the social holding is acquired—
 - (a) in the 3 years beginning with the day when the gain accrues, or
 - (b) in the year that ends at the beginning of that day.
 - (7) The reference in sub-paragraph (2)(b) to a gain accruing in accordance with section 169N does not include such a gain so far as it is chargeable to capital gains tax at the rate in section 169N(3) (rate where entrepreneurs' relief is available).
 - (8) The Treasury may by order substitute a later date for the date for the time being specified in sub-paragraph (3)(b).
- 2 (1) This Schedule also applies if—
- (a) a chargeable gain accrues to an individual (“the investor”),
 - (b) the gain accrues as a result of the operation of paragraph 5 in connection with a chargeable event within paragraph 6(1)(a), (b) or (c),
 - (c) the chargeable event is either—
 - (i) a disposal to a social enterprise of shares in or debentures of the social enterprise, or
 - (ii) the cancellation, extinguishment, redemption or repayment by a social enterprise of shares in or debentures of the social enterprise,
 - (d) as part of the chargeable event or in connection with it, and in place of the shares or debentures, the investor acquires one or more assets (“the social holding”) from the social enterprise,
 - (e) other than the investor's ceasing to hold the shares or debentures, no detriment is suffered in return for the acquisition of the social holding,
 - (f) the asset acquired, or each of the assets acquired, is a share in or debenture of the social enterprise,
 - (g) but for section 257LA of ITA 2007 (consideration for acquisition must be wholly in cash and fully paid) the investor would be eligible for SI relief under Part 5B of ITA 2007 in respect of the consideration given for the social holding, and

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- (h) conditions F, G, H and J are met.
- (2) Condition F is that the gain is one that accrues—
 - (a) on or after 6 April 2014, and
 - (b) before 6 April 2019 (but see sub-paragraph (6)).
- (3) Condition G is that the investor is resident in the United Kingdom—
 - (a) when the gain accrues, and
 - (b) when the social holding is acquired.
- (4) Condition H is that the social holding is acquired by the investor on the investor's own behalf.
- (5) Condition J is that the social holding is acquired—
 - (a) in the 3 years beginning with the day when the gain accrues, or
 - (b) in the year that ends at the beginning of that day.
- (6) The Treasury may by order substitute a later date for the date for the time being specified in sub-paragraph (2)(b).
- (7) In this paragraph “debenture” includes any instrument creating or acknowledging indebtedness.
- (8) A reference in this paragraph to a social enterprise is a reference to a body that is a social enterprise for the purposes of Part 5B of ITA 2007 (see section 257J of that Act).

Interpretation of Schedule

- 3 (1) In the following provisions of this Schedule—
 - “the amount invested” means, in a case where this Schedule applies because of paragraph 1, the consideration mentioned in paragraph 1(1)(c),
 - “the investor” means the individual mentioned in paragraph 1(1)(a) or, as the case may be, paragraph 2(1)(a),
 - “the original gain” means the chargeable gain mentioned in paragraph 1(1)(a) or, as the case may be, paragraph 2(1)(a), and
 - “the social holding” means the asset or assets mentioned in paragraph 1(1)(b) or, as the case may be, paragraph 2(1)(d).
- (2) In this Schedule, a “disposal within marriage or civil partnership” is a disposal to which section 58 (certain disposals between spouses or civil partners) applies.

Claim to hold gain over while invested in a social enterprise

- 4 (1) The investor may make a claim for the original gain to be reduced—
 - (a) in a case within paragraph 1, by the amount invested, or by a part of that amount specified in the claim, or
 - (b) in a case within paragraph 2, to the extent specified in the claim,
 but, in either case, subject as follows.

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- (2) The reduction may not be more than the original gain or, if the original gain has already been reduced under one or more of the listed provisions, the reduction may not be more than the reduced gain.
- (3) In a case within paragraph 1, the claim may not relate to any part of the amount invested that under any of the listed provisions has already been set against a chargeable gain.
- (4) The “listed provisions” are—
 - (a) sub-paragraph (1),
 - (b) Schedule 5B, and
 - (c) paragraph 1(5) of Schedule 5BB.
- (5) The total of all reductions claimed by the investor under sub-paragraph (1) in any tax year must not be more than £1,000,000.
- (6) If there is relief by way of a reduction under sub-paragraph (1) then, for the purposes of this Schedule, that relief—
 - (a) is attributable to the asset or assets that form the social holding, but
 - (b) ceases to be attributable to any particular asset, or to any particular part of a particular asset, when—
 - (i) a chargeable event occurs in relation to that asset or part, or
 - (ii) the person holding the asset or part dies.

Held-over gain treated as accruing on disposal etc of the qualifying investment

- 5 (1) This paragraph applies if there has been a reduction under paragraph 4(1).
- (2) A chargeable gain equal to the amount of the reduction is treated as accruing when a chargeable event occurs in relation to the social holding without any chargeable event having previously occurred in relation to any of the holding.
- (3) When a chargeable event occurs in relation to part only of the social holding without any chargeable event having previously occurred in relation to any of that part, a chargeable gain calculated in accordance with sub-paragraph (4) is treated as accruing.
- (4) The calculation is—

Step 1 Subtract from the amount of the reduction any chargeable gains previously treated as accruing as a result of the operation of sub-paragraph (3).

Step 2 Attribute a proportionate part of the amount calculated at Step 1 to each part of the social holding held, immediately before the occurrence of the chargeable event in question, by the investor or a person who has acquired any part of the holding from the investor on a disposal within marriage or civil partnership.

Step 3 The amount attributed at Step 2 to the part of the social holding in relation to which that chargeable event occurs is the chargeable gain treated as accruing as a result of the operation of sub-paragraph (3) on the occurrence of that event.

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Chargeable events

- 6 (1) A chargeable event occurs in relation to an asset that forms the whole or any part of the social holding if (after the acquisition of the holding)—
- (a) the investor disposes of the asset otherwise than by way of a disposal within marriage or civil partnership,
 - (b) the asset is disposed of, otherwise than by way of a disposal to the investor, by a person who acquired the asset on a disposal made within marriage or civil partnership,
 - (c) the asset is cancelled, extinguished, redeemed or repaid, or
 - (d) any of the conditions in Chapters 3 and 4 of Part 5B of ITA 2007 for the investor's eligibility for SI relief under that Part in respect of the amount invested fails to be met.

In this sub-paragraph “asset” includes part of an asset.

- (2) In the event of the death of—
- (a) the investor, or
 - (b) a person who, on a disposal within marriage or civil partnership, has acquired the whole or any part of the social holding,

nothing which occurs at or after the time of death is a chargeable event in relation to any part of the holding held by the deceased person immediately before the time of death.

- (3) If a person makes a disposal of assets of a particular class while retaining other assets of that class—
- (a) assets of that class acquired by the person on an earlier day are treated for the purposes of this Schedule as disposed of before assets of that class acquired by the person on a later day, and
 - (b) assets of that class acquired by the person on the same day are treated for the purposes of this Schedule as disposed of in the following order—
 - (i) first, any to which neither relief under this Schedule, nor SI relief under Part 5B of ITA 2007, is attributable,
 - (ii) next, any to which relief under this Schedule, but not SI relief under that Part, is attributable,
 - (iii) next, any to which SI relief under that Part, but not relief under this Schedule, is attributable, and
 - (iv) finally, any to which both SI relief under that Part, and relief under this Schedule, are attributable.

- (4) For the purposes of sub-paragraph (3), assets—
- (a) to which relief under this Schedule is attributable, and
 - (b) which have not been held continuously by the investor since the social holding was acquired,
- are treated as having been acquired when the social holding was acquired if SI relief under Part 5B of ITA 2007 is not also attributable to them.

- (5) For the purposes of sub-paragraph (3), assets—
- (a) to which SI relief under Part 5B of ITA 2007 is attributable, and

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- (b) which were transferred to an individual as mentioned in section 257T of ITA 2007 (transfers between spouses or civil partners),
are treated as having been acquired when the social holding was acquired.
- (6) Chapter 1 of Part 4 of this Act has effect subject to sub-paragraphs (3) to (5).
- (7) Sections 104, 105 and 106A do not apply to assets to which relief under this Schedule is attributable if SI relief under Part 5B of ITA 2007 is not also attributable to them.
- (8) Where, at the time of a chargeable event, an asset that formed the whole or any part of the social holding is treated for the purposes of this Act as represented by assets which consist of or include assets other than that asset—
 - (a) so much of the original gain as is attributable to the asset is treated, in determining for the purposes of this paragraph the amount of the original gain to be treated as attributable to each of those assets, as apportioned in such manner as may be just and reasonable between those assets, and
 - (b) as between different assets treated as representing the same asset, sub-paragraphs (3) to (5) apply with the necessary modifications in relation to those assets as they would apply in relation to the asset.
- (9) In order to determine, for the purposes of sub-paragraph (8), the amount of the original gain attributable to any asset, a proportionate part of the amount of the original gain is to be attributed to each asset that forms the whole or any part of so much of the social holding as is held, immediately before the occurrence of the chargeable event in question, by the investor or a person who has acquired any part of the social holding from the investor on a disposal within marriage or civil partnership.
- (10) In subsections (8) and (9) references to the original gain are to so much of the original gain as remains after deduction from it of the amount of any chargeable gain treated as accruing as a result of the previous operation of paragraph 5.

Person to whom held-over gain is treated as accruing

- 7 (1) This paragraph applies where a chargeable gain is treated as accruing as a result of the operation of paragraph 5.
- (2) If the chargeable event is a disposal, that chargeable gain is treated as accruing to the person who makes the disposal.
- (3) If the chargeable event occurs—
 - (a) when an asset, or part of an asset, is cancelled, extinguished, redeemed or repaid, or
 - (b) when a condition, for eligibility for relief in respect of the consideration given for the acquisition of an asset, fails to be met,that chargeable gain is treated as accruing to the person who holds the asset, or part, when the chargeable event occurs.

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Claims: procedure

- 8 (1) Sections 257P(1), 257PA(1) and 257PB to 257PD of ITA 2007—
- (a) apply in relation to a claim under this Schedule in respect of the social holding as they apply in relation to a claim under Part 5B to ITA 2007 in respect of an investment, and
 - (b) as they so apply, have effect as if any reference to the requirements for relief under that Part were a reference to the conditions for the application of this Schedule.
- (2) In section 257PE(2) of ITA 2007 (power to make consequential amendments etc when amending provision about claims for SI relief) “enactment” includes (in particular) sub-paragraph (1).”

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 212(4)(f) and word inserted by [2021 c. 26 Sch. 27 para. 43\(b\)\(ii\)](#)
- s. 212(5)(a)(iv) and word inserted by [2021 c. 26 Sch. 27 para. 43\(c\)\(ii\)](#)
- s. 212(5)(b)(iv) and word inserted by [2021 c. 26 Sch. 27 para. 43\(c\)\(iv\)](#)
- s. 212(5)(c)(iv) and word inserted by [2021 c. 26 Sch. 27 para. 43\(c\)\(v\)](#)
- Sch. 31 para. 2(3)(b) inserted by [2017 c. 32 Sch. 14 para. 45\(2\)\(a\)\(iii\)](#)
- Sch. 31 para. 2(4A) inserted by [2017 c. 32 Sch. 14 para. 45\(2\)\(c\)](#)
- Sch. 31 para. 3(1A) inserted by [2017 c. 32 Sch. 14 para. 45\(3\)\(b\)](#)
- Sch. 31 para. 5(b) inserted by [2017 c. 32 Sch. 14 para. 45\(4\)\(c\)](#)
- Sch. 31 para. 2(3)(a) words inserted by [2017 c. 32 Sch. 14 para. 45\(2\)\(a\)\(ii\)](#)
- Sch. 31 para. 5(a) words inserted by [2017 c. 32 Sch. 14 para. 45\(4\)\(b\)](#)
- Sch. 31 para. 2(3)(a) words renumbered as Sch. 31 para. 2(3)(a) by [2017 c. 32 Sch. 14 para. 45\(2\)\(a\)\(i\)](#)
- Sch. 31 para. 5(a) words renumbered as Sch. 31 para. 5(a) by [2017 c. 32 Sch. 14 para. 45\(4\)\(a\)](#)
- Sch. 32 para. 1(2)(b) inserted by [2017 c. 32 Sch. 14 para. 46\(2\)\(a\)\(iii\)](#)
- Sch. 32 para. 1(3A) inserted by [2017 c. 32 Sch. 14 para. 46\(2\)\(c\)](#)
- Sch. 32 para. 1(2)(a) words inserted by [2017 c. 32 Sch. 14 para. 46\(2\)\(a\)\(ii\)](#)
- Sch. 32 para. 1(2)(a) words renumbered as Sch. 32 para. 1(2)(a) by [2017 c. 32 Sch. 14 para. 46\(2\)\(a\)\(i\)](#)