
Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2015, Cross Heading: General requirements. (See end of Document for details)

SCHEDULES

SCHEDULE 5

ENTERPRISE INVESTMENT SCHEME

General requirements

- 6 In section 172 (overview of Chapter 3: general requirements)—
- (a) in paragraph (aa) for “capital schemes” substitute “finance investments”,
 - (b) after that paragraph insert—
 - “(aaa) the maximum risk finance investments at the issue date (see section 173AA),
 - (aab) the maximum risk finance investments at times during period B (see section 173AB),”,
 - (c) omit paragraph (ab), and
 - (d) after paragraph (c) insert—
 - “(ca) the permitted maximum age (see section 175A),”.
- 7 (1) Section 173A (the maximum amount raised annually through risk capital schemes requirement) is amended as follows.
- (2) For subsection (2) substitute—
- “(2) In subsection (1), the reference to relevant investments made in the issuing company includes—
- (a) a relevant investment made in any company that has at any time in the year mentioned there been a 51% subsidiary of the issuing company (including investments made in such a company before it became such a subsidiary but, if it is not such a subsidiary at the end of that year, not those made after it last ceased to be such a subsidiary),
 - (b) any other relevant investment made in a company to the extent that the money raised by the investment has been employed for the purposes of a trade carried on by another company that has at any time in that year been a 51% subsidiary of the issuing company (but, if it is not such a subsidiary at the end of that year, ignoring any money so employed after it last ceased to be such a subsidiary), and
 - (c) any other relevant investment made in a company if—
 - (i) the money raised by the investment has been employed for the purposes of a trade carried on by that company or another person, and
 - (ii) in that year, after the investment was made, the trade (or a part of it) became a relevant transferred trade (see subsection (2B)).

Changes to legislation: *There are currently no known outstanding effects for the Finance (No. 2) Act 2015, Cross Heading: General requirements. (See end of Document for details)*

(2A) If only a proportion of the money raised by a relevant investment is employed for the purposes of a trade which becomes a relevant transferred trade, the reference in subsection (2)(c) to the relevant investment is to be read as a reference to the corresponding proportion of that investment.

(2B) Where—

- (a) in the year mentioned in subsection (1) a trade is transferred—
 - (i) to the issuing company,
 - (ii) to a company that has at any time during that year been a 51% subsidiary of the issuing company, or
 - (iii) to a partnership of which a company within subparagraph (i) or (ii) is a member,
 (including where it is transferred to a company within subparagraph (ii), or a partnership of which such a company is a member, in that year before the company became such a subsidiary but, if the company is not such a subsidiary at the end of that year, not where it is transferred to such a company or partnership after the company last ceased to be such a subsidiary), and
- (b) that trade or a part of it was previously (at any time) carried on by another person,

the trade or part mentioned in paragraph (b) becomes a “relevant transferred trade” at the time it is transferred as mentioned in paragraph (a).”

(3) In subsection (3)—

- (a) after paragraph (b) insert—
 - “(ba) an investment is made in the company and (at any time) the company provides a compliance statement under section 257PB (tax relief for social investments) in respect of the investment, or”, and
- (b) in paragraph (c), for “Community Guidelines on Risk Capital Investments in Small and Medium-sized Enterprises” substitute “European Commission’s Guidelines on State aid to promote risk finance investment”.

(4) After subsection (4) insert—

“(5) Section 257KB applies in determining for those purposes when an investment within subsection (3)(ba) is made as it applies for the purposes of Part 5B (tax relief on social investments).”

(5) After subsection (5) insert—

“(6) For the purposes of this section—

- (a) references to a trade include a part of a trade (and references to the carrying on of a trade are to be construed accordingly);
- (b) when determining the amount of money raised by a relevant investment which has been employed for the purposes of a trade such apportionments are to be made as are just and reasonable.

(7) In this section “trade” includes—

- (a) any business or profession,

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2015, Cross Heading: General requirements. (See end of Document for details)

- (b) so far as not within paragraph (a), the carrying on of research and development activities from which it is intended a trade will be derived or will benefit, and
- (c) preparing to carry on a trade.”

(6) In the heading, for “capital schemes” substitute “finance investments”.

8 After section 173A insert—

“173AA Maximum risk finance investments at the issue date requirement

- (1) The total amount of relevant investments made in the issuing company on or before the issue date must not exceed—
 - (a) if the issuing company is a knowledge-intensive company at the issue date (see section 252A), £20 million, and
 - (b) in any other case, £12 million.
- (2) In subsection (1) the reference to relevant investments made in the issuing company includes—
 - (a) any relevant investment made in any company that at the issue date is, or has at any time before that date been, a 51% subsidiary of the issuing company (including investments made in such a company before it became such a subsidiary but, if it is not such a subsidiary at the issue date, not investments made in it after it last ceased to be such a subsidiary),
 - (b) any other relevant investment made in a company to the extent that the money raised by the investment has been employed for the purposes of a trade carried on by another company that has at any time before the issue date been a 51% subsidiary of the issuing company (but, if it is not such a subsidiary at that date, ignoring any money so employed after it last ceased to be such a subsidiary), and
 - (c) any other relevant investment made in a company if—
 - (i) the money raised by the investment has been employed for the purposes of a trade carried on by that company or another person, and
 - (ii) after the investment was made, but on or before the issue date, that trade became a relevant transferred trade (see subsection (4)).
- (3) If only a proportion of the money raised by a relevant investment is employed for the purposes of a trade which becomes a relevant transferred trade, the reference in subsection (2)(c) to the relevant investment is to be read as a reference to the corresponding proportion of that investment.
- (4) Where—
 - (a) at any time on or before the issue date, a trade is transferred—
 - (i) to the issuing company,
 - (ii) to a company that at the issue date is, or has at any time before that date been, a 51% subsidiary of the issuing company, or
 - (iii) to a partnership of which a company within subparagraph (i) or (ii) is a member,

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2015, Cross Heading: General requirements. (See end of Document for details)

(including where it is transferred to a company within subparagraph (ii), or a partnership of which such a company is a member, before the company became such a subsidiary but, if the company is not such a subsidiary at the issue date, not where it is transferred to such a company or partnership after the company last ceased to be such a subsidiary), and

- (b) the trade or a part of it was previously (at any time) carried on by another person,

the trade or part mentioned in paragraph (b) becomes a “relevant transferred trade” at the time it is transferred as mentioned in paragraph (a).

- (5) In this section—

“the issue date” means the date on which the relevant shares are issued;

“relevant investment” has the meaning given by section 173A(3), and section 173A(4) and (5) (which determines when certain investments are made) applies for the purposes of this section;

and section 173A(6) and (7) (meaning of “trade” etc) applies for the purposes of this section as it applies for the purposes of section 173A.

173AB Maximum risk finance investments during period B requirement

- (1) The requirement of this section applies if condition A or B is met.

- (2) Condition A is that—

- (a) a company becomes a 51% subsidiary of the issuing company at any time during period B,
- (b) all or part of the money raised by the issue of the relevant shares is employed for the purposes of a qualifying business activity which consists wholly or in part of a trade carried on by that company, and
- (c) that trade (or a part of it) was carried on by that company before it became a 51% subsidiary as mentioned in paragraph (a).

- (3) Condition B is that all or part of the money raised by the issue of the relevant shares is employed for the purposes of a qualifying business activity which consists wholly or in part of a trade which, during period B, becomes a relevant transferred trade.

- (4) The requirement of this section is that, at all times in period B, the total of the relevant investments made in the issuing company before the time in question (“the relevant time”) must not exceed—

- (a) if the issuing company is a knowledge-intensive company at the issue date (see section 252A), £20 million, and
- (b) in any other case, £12 million.

- (5) In subsection (4) the reference to relevant investments made in the issuing company includes—

- (a) any relevant investment made in any company that at any time before the relevant time has been a 51% subsidiary of the issuing company (including investments made in a company before it became such a subsidiary but, if it is not such a subsidiary at the

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2015, Cross Heading: General requirements. (See end of Document for details)

relevant time, not investments made in it after it last ceased to be such a subsidiary),

- (b) any other relevant investment made in a company to the extent that the money raised by the investment has been employed for the purposes of a trade carried on by another company that has at any time before the relevant time been a 51% subsidiary of the issuing company (but, if it is not such a subsidiary at the relevant time, ignoring any money so employed after it last ceased to be such a subsidiary), and
- (c) any other relevant investments made in a company where—
 - (i) the money raised by the investment has been employed for the purposes of a trade carried on by that company or another person, and
 - (ii) after the investment was made, but before the relevant time, that trade (or a part of it) becomes a relevant transferred trade (see subsection (7)).

- (6) If only a proportion of the money raised by a relevant investment is employed for the purposes of a trade which became a relevant transferred trade, the reference in subsection (5)(c) to the relevant investment is to be read as a reference to the corresponding proportion of that investment.

- (7) Where—

- (a) before the relevant time, a trade is transferred—
 - (i) to the issuing company,
 - (ii) to a company that is at the relevant time, or has before that time been, a 51% subsidiary of the issuing company, or
 - (iii) to a partnership of which a company within subparagraph (i) or (ii) is a member,(including where it is transferred to a company within subparagraph (ii), or a partnership of which such a company is a member, before the company became such a subsidiary but, if the company is not such a subsidiary at the relevant time, not where it is transferred to such a company or partnership after the company last ceased to be such a subsidiary), and
- (b) the trade or a part of it was previously (at any time) carried on by another person,

the trade or part mentioned in paragraph (b) becomes a “relevant transferred trade” at the time it is transferred as mentioned in paragraph (a).

- (8) In this section—

“the issue date” means the date on which the relevant shares are issued, and

“relevant investment” has the meaning given by section 173A(3), and section 173A(4) and (5) (which determines when certain investments are made) applies for the purposes of this section;

and section 173A(6) and (7) (meaning of “trade” etc) applies for the purposes of this section as it applies for the purposes of section 173A.”

9 Omit section 173B (the spending of money raised by SEIS investment requirement).

10 (1) Section 174 (the purpose of the issue requirement) is amended as follows.

***Changes to legislation:** There are currently no known outstanding effects for the Finance
 (No. 2) Act 2015, Cross Heading: General requirements. (See end of Document for details)*

- (2) The existing text becomes subsection (1).
 - (3) In that subsection, after “activity” insert “ so as to promote business growth and development ”.
 - (4) After that subsection insert—
 - “(2) For this purpose “business growth and development” means the growth and development of—
 - (a) if the issuing company is a single company, the business of that company, and
 - (b) if the issuing company is a parent company, what would be the business of the group if the activities of the group companies taken together were regarded as one business.”
- 11 (1) Section 175 (the use of money raised requirement) is amended as follows.
- (2) For subsection (1A) substitute—
 - “(1ZA) Employing money raised by the issue of the relevant shares (whether on its own or together with other money) on the acquisition, directly or indirectly, of—
 - (a) an interest in another company such that a company becomes a 51% subsidiary of the issuing company,
 - (b) a further interest in a company which is a 51% subsidiary of the issuing company,
 - (c) a trade,
 - (d) intangible assets employed for the purposes of a trade, or
 - (e) goodwill employed for the purposes of a trade,
 does not amount to employing that money for the purposes of a qualifying business activity.
 - (1ZB) The Treasury may by regulations provide that subsection (1ZA) does not apply in relation to acquisitions of intangible assets which are of a description specified, or which occur in circumstances specified, in the regulations.
 - (1ZC) For the purposes of subsections (1ZA) and (1ZB)—
 - “goodwill” has the same meaning as in Part 8 of CTA 2009 (see section 715(3));
 - “intangible assets” means any asset which falls to be treated as an intangible asset in accordance with generally accepted accountancy practice;
 - and section 173A(6) and (7) (meaning of “trade” etc) applies as it applies for the purposes of section 173A.
 - (1A) Also, otherwise employing money on the acquisition of shares or stock in a company does not of itself amount to employing the money for the purposes of a qualifying business activity.”
- 12 After section 175 insert—

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2015, Cross Heading: General requirements. (See end of Document for details)

“175A The permitted maximum age requirement

- (1) The requirement of this section is that, if the relevant shares are issued after the initial investing period, condition A, B or C must be met.
- (2) “The initial investing period” means—
 - (a) where the issuing company is a knowledge-intensive company at the issue date, the period of 10 years beginning with the relevant first commercial sale, and
 - (b) in any other case, the period of 7 years beginning with that sale.
- (3) Condition A is that—
 - (a) a relevant investment was made in the issuing company before the end of the initial investing period, and
 - (b) some or all of the money raised by that investment was employed for the purposes of the relevant qualifying business activity (or a part of it).
- (4) Condition B is that—
 - (a) the total amount of relevant investments made in the issuing company in a period of 30 consecutive days which includes the issue date is at least 50% of the average turnover amount, and
 - (b) the money raised by those investments is employed for the purpose of entering a new product or geographical market.
- (5) Condition C is that—
 - (a) condition B in subsection (4) or condition B in section 294A(4) (VCT: permitted company age requirement) was previously met in relation to one or more relevant investments made in the issuing company, and
 - (b) some or all of the money raised by those investments was employed for the purposes of the relevant qualifying business activity.
- (6) “The relevant first commercial sale” means the earliest of the following—
 - (a) the first commercial sale made by the issuing company;
 - (b) the first commercial sale made by a company that is at the issue date, or before that date has been, a 51% subsidiary of the issuing company (including a sale made by a company before it became such a subsidiary but, if it is not such a subsidiary at the issue date, not a sale made after it last ceased to be such a subsidiary);
 - (c) the first commercial sale made by any person who previously (at any time) carried on a trade which was subsequently carried on, on or before the issue date, by—
 - (i) the issuing company, or
 - (ii) a company that is at the issue date, or before that date has been, a 51% subsidiary of the issuing company,(including a trade subsequently carried on by such a company before it became such a subsidiary but, if it is not such a subsidiary at the issue date, not a trade which it carried on only after it last ceased to be such a subsidiary);

Changes to legislation: *There are currently no known outstanding effects for the Finance (No. 2) Act 2015, Cross Heading: General requirements. (See end of Document for details)*

- (d) the first commercial sale made by a company which becomes a 51% subsidiary of the issuing company after the issue date in circumstances where all or part of the money raised by the issue of the relevant shares is employed for the purposes of an activity carried on by that subsidiary (including a sale made by such a company before it became such a subsidiary);
 - (e) the first commercial sale made by any person who previously (at any time) carried on a trade which was subsequently carried on by a company mentioned in paragraph (d) (including a trade carried on by such a company before it became such a subsidiary);
 - (f) if the money raised by the issue of the relevant shares (or any part of it) is employed for the purposes of a trade which has been transferred, after the issue date, to the issuing company or a 51% subsidiary of that company (or a partnership of which the issuing company or such a subsidiary is a member), having previously (at any time) been carried on by another person, the first commercial sale made by that other person.
- (7) “The average turnover amount” means one fifth of the total relevant turnover amount for the five year period which ends—
- (a) immediately before the beginning of the last accounts filing period, or
 - (b) if later, 12 months before the issue date.
- (8) In this section—
- “entering a new product or geographical market” has the same meaning as in [Commission Regulation \(EU\) No 651/2014](#) (General block exemption Regulation);
 - “first commercial sale” has the same meaning as in the European Commission's Guidelines on State aid to promote risk finance investments (as those guidelines may be amended or replaced from time to time);
 - “the issue date” means the date on which the relevant shares are issued;
 - “the last accounts filing period” means the last period for filing (within the meaning of section 442 of the Companies Act 2006) for the issuing company which ends before the date on which the relevant shares are issued;
 - “relevant investment” has the meaning given by section 173A(3), and section 173A(4) and (5) (which determines when certain investments are made) applies for the purposes of this section;
 - “relevant qualifying business activity” means the qualifying business activity for which the money raised by the issue of the relevant shares is employed;
 - “the total relevant turnover amount” for a period is—
 - (a) if the issuing company is a single company at the issue date, the sum of—
 - (i) the issuing company's turnover for that period,
 - (ii) if all or part of the money raised by the issue of the relevant shares is employed for the purposes of an activity carried on by a company which becomes a

Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2015, Cross Heading: General requirements. (See end of Document for details)

- 51% subsidiary of the issuing company after the issue date, the turnover for that period of that subsidiary (or, if there is more than one, each of them), and
- (iii) if all or part of the money raised by the issue of the relevant shares is employed for the purposes of a transferred trade, the turnover of that trade for so much of that period as falls before the trade became a transferred trade (except to the extent that it is already included in calculating the amounts within sub-paragraphs (i) and (ii));
- (b) if the issuing company is a parent company at the issue date, the sum of—
- (i) the issuing company's turnover for that period,
- (ii) the turnover for that period of each company which at the issue date is a qualifying subsidiary of the issuing company,
- (iii) if all or part of the money raised by the issue of the relevant shares is employed for the purposes of an activity carried on by a company which becomes a 51% subsidiary of the issuing company after the issue date, the turnover for that period of that subsidiary (or, if there is more than one, each of them), and
- (iv) if all or part of the money raised by the issue of the relevant shares is employed for the purposes of a transferred trade, the turnover of that trade for so much of that period as falls before the trade became a transferred trade (except to the extent that it is already included in calculating the amounts within sub-paragraphs (i) to (iii));

“transferred trade” means a trade which has been transferred to the company which is carrying on the trade at the time the money raised by the issue of the relevant shares is employed or to a partnership of which that company is a member;

“turnover”—

- (a) in relation to a company, has the meaning given by section 474(1) of the Companies Act 2006 and is to be determined by reference to the accounts of companies and amounts recognised for accounting purposes (and such apportionments of those amounts as are just and reasonable are to be made for the purpose of determining a company's turnover for a period);
- (b) in relation to any other person carrying on a trade, also has the meaning given by section 474(1) of that Act (reading references in that provision to a company as references to the person) and is to be determined by reference to the accounts of the person and amounts recognised for accounting purposes (and such apportionments of those amounts as are just and reasonable are to be made for the purpose of determining a person's turnover for a period);
- (c) in relation to a transferred trade carried on by a company or other person, means such proportion of the turnover of the

Changes to legislation: There are currently no known outstanding effects for the Finance
(No. 2) Act 2015, Cross Heading: General requirements. (See end of Document for details)

company or other person as it is just and reasonable to attribute
to the transferred trade;
and section 173A(6) and (7) (meaning of “trade” etc) applies for the purposes
of this section as it applies for the purposes of section 173A.”

Changes to legislation:

There are currently no known outstanding effects for the Finance (No. 2) Act 2015, Cross
Heading: General requirements.