
Changes to legislation: Finance Act 2016, SCHEDULE 14 is up to date with all changes known to be in force on or before 05 August 2023. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

SCHEDULES

SCHEDULE 14

Section 87

INVESTORS' RELIEF

- 1 (1) In the heading to Part 5 of TCGA 1992, after “ASSETS” insert “, ENTREPRENEURS' RELIEF AND INVESTORS' RELIEF”.
- (2) In the heading to Chapter 1 of that Part, before “GENERAL PROVISIONS” insert “TRANSFER OF BUSINESS ASSETS: ”
- 2 In Part 5 of TCGA 1992, after section 169V insert—

“CHAPTER 5

INVESTORS' RELIEF

Overview

169VA Overview of Chapter

- (1) This Chapter provides for a relief, in the form of a lower rate of capital gains tax, in respect of disposals of (and disposals of interests in) certain ordinary shares in unlisted companies.
- (2) Section 169VB defines “qualifying shares”, “potentially qualifying shares” and “excluded shares”.
- (3) Section 169VC creates the relief, and relief under that section is to be known as “investors' relief”.
- (4) Section 169VD makes provision about disposals from holdings consisting partly of qualifying shares.
- (5) Sections 169VE to 169VG contain rules for cases where there have been previous disposals from a holding, to determine which shares remain in the holding.
- (6) Sections 169VH and 169VI make provision about disposals by trustees of a settlement.
- (7) Section 169VJ makes provision about disposals of interests in shares.
- (8) Sections 169VK and 169VL provide for a cap on the amount of investors' relief that can be claimed.
- (9) Section 169VM makes provision about claims for investors' relief.

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- (10) Sections 169VN to 169VT make provision about how investors' relief applies following a company's reorganisation of its share capital, an exchange of shares or securities or a scheme of reconstruction.
- (11) Sections 169VU to 169VY contain definitions for the purposes of this Chapter.

Qualifying shares

169VB Qualifying shares, potentially qualifying shares and excluded shares

- (1) Where there is a disposal of all or part of (or of an interest in) a holding of shares in a company, this section applies to determine whether a share which is in the holding at the time immediately before the disposal (“the relevant time”) is for the purposes of this Chapter—
 - (a) a qualifying share,
 - (b) a potentially qualifying share, or
 - (c) an excluded share.
- (2) The share is a “qualifying share” at the relevant time if—
 - (a) the share was subscribed for, within the meaning given by section 169VU, by the person making the disposal (“the investor”),
 - (b) the investor has held the share continuously for the period beginning with the issue of the share and ending with the relevant time (“the share-holding period”),
 - (c) the share was issued on or after 17 March 2016,
 - (d) at the time the share was issued, none of the shares or securities of the company that issued it were listed on a recognised stock exchange,
 - (e) the share was an ordinary share when issued and is an ordinary share at the relevant time,
 - (f) the company that issued the share—
 - (i) was a trading company or the holding company of a trading group (as defined by section 169VV) when the share was issued, and
 - (ii) has been so throughout the share-holding period,
 - (g) at no time in the share-holding period was the investor or a person connected with the investor a relevant employee in respect of that company (within the meaning given by section 169VW), and
 - (h) the period beginning with the date the share was issued and ending with the date of the disposal is at least 3 years.
- (3) The share is a “potentially qualifying share” at the relevant time if—
 - (a) the conditions in subsection (2)(a) to (g) are met, but
 - (b) the period beginning with the date the share was issued and ending with the date of the disposal is less than 3 years.
- (4) The share is an “excluded share” at the relevant time if it is, at that time—
 - (a) not a qualifying share, and
 - (b) not a potentially qualifying share.

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- (5) This section is subject to Schedule 7ZB (disqualification of share where value received by investor).
- (6) In relation to a share issued on or after 17 March 2016 but before 6 April 2016, any reference in subsection (2)(h) or (3) to “3 years” is to be read as a reference to the minimum period.
- (7) In subsection (6) “the minimum period” means the period of 3 years extended by a period equal in length to the period beginning with the date the share was issued and ending with 5 April 2016.

The relief

169VC Investors' relief

- (1) This section applies where—
 - (a) a qualifying person disposes of a holding, or part of a holding, of shares in a company, and
 - (b) immediately before that disposal some or all of the shares in the holding are qualifying shares.
- (2) If—
 - (a) a chargeable gain accrues to the qualifying person on the disposal, and
 - (b) a claim for relief under this section is made,the rate of capital gains tax in respect of the relevant gain is 10 per cent.
- (3) In subsection (2) “the relevant gain” means—
 - (a) where immediately before the disposal all the shares in the holding are qualifying shares, the chargeable gain on the disposal;
 - (b) where at that time only some of the shares in the holding are qualifying shares, the appropriate part of that chargeable gain (defined by section 169VD).
- (4) In this section—
 - (a) subsection (1) is subject to section 169VH (disposals by trustees of a settlement: further conditions for relief), and
 - (b) subsection (2) is subject to—
 - section 169VI (reduction of relief for certain disposals by trustees of a settlement), and
 - sections 169VK and 169VL (cap on investors' relief).
- (5) A reference in subsection (3) to the chargeable gain on the disposal, or to the appropriate part of that gain, is a reference to that chargeable gain, or (as the case may be) that part, after any deduction of allowable losses which is made in accordance with this Act from that chargeable gain or from that part.
- (6) For the application of this section to disposals of interests in shares, see section 169VJ.
- (7) In this Chapter a “qualifying person” means—
 - (a) an individual, or

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- (b) the trustees of a settlement.

169VD Disposal where holding consists partly of qualifying shares

- (1) This section applies where—
- (a) a disposal (“the disposal concerned”) is made as mentioned in section 169VC(1), and
 - (b) at the time immediately before the disposal, only some of the shares in the holding are qualifying shares.
- (2) Where this section applies, for the purposes of section 169VC(3) “the appropriate part” of the chargeable gain on the disposal is so much of that chargeable gain as is found by multiplying it by the appropriate fraction.
- (3) The appropriate fraction is—

$$\frac{Q}{T}$$

where—

Q is the number of qualifying shares found under subsection (4), and

T is the total number of shares disposed of in the disposal concerned.

- (4) The number of qualifying shares found under this subsection is—
- (a) all the qualifying shares in the holding at the time immediately before the disposal concerned, or
 - (b) if less, such number of those qualifying shares as equals the number of shares disposed of in that disposal.

169VE Which shares are in holding immediately before disposal

- (1) This section applies where—
- (a) a particular disposal is made as mentioned in section 169VC(1)(a) (“the current disposal”),
 - (b) there have been one or more previous disposals of shares from the holding mentioned in section 169VC(1) before the current disposal, and
 - (c) it is necessary to determine for the purposes of this Chapter which shares are to be treated as in the holding immediately before the current disposal (and, accordingly, which shares are to be treated as having been disposed of in those previous disposals).
- (2) In the case of a previous disposal as regards which investors' relief has been claimed or is being claimed, the shares to be treated as disposed of in that previous disposal are to be determined in accordance with the rules in section 169VF.
- (3) In the case of a previous disposal not falling within subsection (2), the shares to be treated as disposed of in that previous disposal are to be determined in accordance with the rules in section 169VG.

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169VF Shares treated as disposed of in previous disposal where claim made

- (1) The rules referred to in section 169VE(2) are as follows; and in this section “the disposal concerned” means the previous disposal mentioned in section 169VE(2).
- (2) There are to be treated as having been disposed of in the disposal concerned—
 - (a) all the qualifying shares in the holding at the time immediately before that disposal (“the material time”), or
 - (b) if less, such number of those qualifying shares as equals the number of shares disposed of in that disposal.
- (3) If—
 - (a) the number of qualifying shares in the holding at the material time was less than the total number of shares disposed of, and
 - (b) excluded shares were in the holding at the material time,the available excluded shares are also to be treated as having been disposed of.
- (4) “The available excluded shares” means—
 - (a) all the excluded shares in the holding at the material time, or
 - (b) if less, such number of those excluded shares as is equal to the difference between—
 - (i) the total number of shares disposed of, and
 - (ii) the number of qualifying shares in the holding at the material time.
- (5) If the number of shares treated under subsections (2) to (4) as disposed of in the disposal concerned is less than the total number of shares disposed of, such number of the potentially qualifying shares in the holding at the material time as is equal to the difference are also to be treated as having been disposed of.
- (6) Where the number of potentially qualifying shares in the holding at the material time exceeds the difference mentioned in subsection (5), under that subsection potentially qualifying shares acquired later are to be treated as disposed of in preference to ones acquired earlier.
- (7) In this section “disposed of” (without more) means disposed of in the disposal concerned.

169VG Shares treated as disposed of in previous disposal: no claim made

- (1) The rules referred to in section 169VE(3) are as follows; and in this section “the disposal concerned” means the previous disposal mentioned in section 169VE(3).
- (2) If any excluded shares were in the holding at the time immediately before the disposal concerned (“the material time”), the maximum number of excluded shares are to be treated as having been disposed of in the disposal concerned.
- (3) “The maximum number of excluded shares” means—

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- (a) all the excluded shares in the holding at the material time, or
 - (b) if less, such number of those excluded shares as is equal to the number of shares disposed of.
- (4) If—
 - (a) there were no excluded shares in the holding at the material time, or the number of such shares was less than the total number of shares disposed of, and
 - (b) potentially qualifying shares were in the holding at the material time, the available potentially qualifying shares are to be treated as having been disposed of.
- (5) “The available potentially qualifying shares” means—
 - (a) all the potentially qualifying shares in the holding at the material time, or
 - (b) if less, such number of those potentially qualifying shares as is equal to the difference between—
 - (i) the total number of shares disposed of, and
 - (ii) the number of excluded shares in the holding at the material time.
- (6) Where the number of potentially qualifying shares in the holding at the material time exceeds the difference mentioned in subsection (5), potentially qualifying shares acquired later are to be treated as disposed of in preference to ones acquired earlier.
- (7) If the number of shares treated under subsections (2) to (5) as disposed of in the disposal concerned is less than the total number of shares disposed of, such number of the qualifying shares in the holding at the material time as is equal to the difference are to be treated as having been disposed of.
- (8) In this section “disposed of” (without more) means disposed of in the disposal concerned.

Trustees of a settlement: special provision

169VH Disposals by trustees: further conditions for relief

- (1) Where a disposal falling within section 169VC(1)(a) and (b) is made by the trustees of a settlement, section 169VC does not apply to the disposal unless there is at least one individual who is an eligible beneficiary in respect of the disposal.
- (2) For the purposes of this section, an individual is an “eligible beneficiary” in respect of the disposal if—
 - (a) at the time immediately before the disposal, the individual has under the settlement an interest in possession in settled property that includes or consists of the holding of shares mentioned in section 169VC(1),
 - (b) the individual has had such an interest in possession under the settlement throughout the period of 3 years ending with the date of the disposal,

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- (c) at no time in that period has the individual been a relevant employee in respect of the company that issued the shares (within the meaning given by section 169VW), and
 - (d) the individual has (by the time of the claim under section 169VC in respect of the disposal) elected to be treated as an eligible beneficiary in respect of the disposal.
- (3) For the purposes of subsection (2)(d), an individual elects to be treated as an eligible beneficiary in respect of a disposal if the individual tells the trustees (by whatever means) that he or she wishes to be so treated; and an election under subsection (2)(d) may be withdrawn by the individual at any time until the claim is made.
- (4) In this section “interest in possession” does not include an interest in possession for a fixed term.
- (5) In relation to a disposal made by the trustees of a settlement, any reference in section 169VB(2)(g) to the investor is to be read as a reference to any trustee of the settlement.

169VI Disposals by trustees: relief reduced in certain cases

- (1) Subsection (2) applies where—
 - (a) a disposal falling within section 169VC(1)(a) and (b) is made by the trustees of a settlement,
 - (b) section 169VC applies to the disposal by reason of there being at least one individual who is an eligible beneficiary in respect of the disposal (see section 169VH), and
 - (c) at the time immediately before the disposal, there are two or more persons each of whom has under the settlement an interest in possession in the settled property.
- (2) In such a case the reference in section 169VC(2) to the relevant gain is to be read as a reference—
 - (a) to the eligible beneficiary's share of the relevant gain (see subsections (3) to (6)), or
 - (b) if there is more than one individual who is an eligible beneficiary in respect of the disposal, to so much of the relevant gain as is equal to the aggregate of the eligible beneficiaries' shares of that gain.
- (3) In this section—
 - “eligible beneficiary” has the meaning given by section 169VH(2);
 - “relevant gain” has the meaning given by section 169VC(3);
 - “the settled property” means settled property that includes or consists of the holding of shares mentioned in section 169VC(1).
- (4) Subsection (5) applies to determine for the purposes of this Chapter, in relation to any individual who is an eligible beneficiary in respect of a disposal within section 169VC(1) made by the trustees of a settlement, that individual's share of the relevant gain.

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- (5) That individual's share of the relevant gain on the disposal is so much of the relevant gain on the disposal as bears to the whole of that gain the same proportion as X bears to Y, where—

X is the interest in possession (other than for a fixed term) which, at the time immediately before the disposal, that individual has under the settlement in the income from the holding of shares mentioned in section 169VC(1), and

Y is all the interests in that income that persons (including that individual) with interests in possession in that holding have under the settlement at that time.

Disposals of interests in shares

169VJ Disposals of interests in shares: joint holdings etc

- (1) In section 169VC(1)(a), the reference to the case where a qualifying person disposes of a holding, or part of a holding, of shares in a company includes the case where a qualifying person disposes of an interest in a relevant holding.
- (2) In this section a “relevant holding” means either—
- (a) a number of shares in a company which are of the same class and were acquired in the same capacity jointly by the same two or more persons including the qualifying person, or
 - (b) a number of shares in a company which are of the same class and were acquired in the same capacity by the qualifying person solely.
- (3) In this section—
- (a) “an interest” in a relevant holding means any interests of the qualifying person, in any of the shares in the relevant holding, which are by virtue of section 104 to be regarded as a single asset, and
 - (b) references to an interest include part of an interest.
- (4) Where section 169VC(1) applies by reason of this section, section 169VD(3) and (4) have effect as if any reference to the number of shares disposed of were a reference to the number of shares an interest in which is disposed of.
- (5) In relation to a disposal by the trustees of a settlement of an interest in a relevant holding falling within subsection (2)(a), sections 169VH(2) and 169VI(3) and (5) have effect as if any reference to the holding of shares mentioned in section 169VC(1) were to the interest disposed of.
- (6) In accordance with subsection (1)—
- (a) in sections 169VN(1)(d), 169VP(1)(d) and 169VS(1)(d) (reorganisations), any reference to a disposal of all or part of a holding includes a disposal by the qualifying person of an interest in the holding, and
 - (b) the reference in section 169VT(2) to a disposal of the original shares is to be read, in relation to a case where the original shares fall within subsection (2)(a) above, as a reference to a disposal of the qualifying person's interest in those shares.

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Cap on relief

169VK Cap on relief for disposal by an individual

- (1) This section applies if, on a disposal within section 169VC(1) made by an individual (“the individual concerned”), the aggregate of—
 - (a) the amount of the relevant gain on the disposal (“the gain in question”),
 - (b) the total amount of any gains that, in relation to earlier disposals by the individual concerned, were charged at the rate in section 169VC(2), and
 - (c) the total amount of any reckonable trust gains that, on any previous trust disposals in respect of which the individual concerned was an eligible beneficiary, were charged at the rate in section 169VC(2),exceeds £10 million.
- (2) The rate in section 169VC(2) applies only to so much (if any) of the gain in question as, when added to the aggregate of the total amounts mentioned in subsection (1)(b) and (c), does not exceed £10 million.
- (3) Section 4 (rates of capital gains tax) applies to so much of the gain in question as is not subject to the rate in section 169VC(2).
- (4) In this section—
 - “eligible beneficiary”, in relation to a disposal, is to be read in accordance with section 169VH(2);
 - “reckonable trust gain”, in relation to a trust disposal in respect of which the individual concerned was an eligible beneficiary, means—
 - (a) if section 169VI(1)(c) applied in relation to the disposal, that individual's share of the relevant gain on that disposal, within the meaning given by section 169VI(4) and (5);
 - (b) otherwise, the relevant gain on that disposal;
 - “the relevant gain”, in relation to a disposal, has the meaning given by section 169VC(3);
 - “trust disposal” means a disposal by the trustees of a settlement.

169VL Cap on relief for disposal by trustees of a settlement

- (1) This section applies where—
 - (a) a disposal (“the disposal in question”) is made by the trustees of a settlement,
 - (b) that disposal is within section 169VC(1), and
 - (c) there is an excess amount in relation to an individual who is an eligible beneficiary in respect of the disposal in question (“the individual concerned”).
- (2) For the purposes of this section there is an “excess amount” in relation to the individual concerned if the aggregate of—
 - (a) the amount of the current gain,

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- (b) the total amount of any gains that, in relation to earlier disposals made by the individual concerned, were charged at the rate in section 169VC(2), and
 - (c) the total amount of any reckonable trust gains that, on any previous trust disposals in respect of which the individual concerned was an eligible beneficiary, were charged at the rate in section 169VC(2), exceeds £10 million.
- (3) The rate in section 169VC(2) applies to the current gain only to the extent (if any) that the current gain when added to the aggregate of the total amounts mentioned in subsection (2)(b) and (c) does not exceed £10 million.
- (4) Section 4 (rates of capital gains tax) applies to so much of the current gain as is not subject to the rate in section 169VC(2).
- (5) In this section—
 - “the current gain” means the reckonable trust gain on the disposal in question;
 - “eligible beneficiary”, in relation to a disposal, is to be read in accordance with section 169VH(2);
 - “reckonable trust gain”, in relation to any trust disposal in respect of which the individual concerned is an eligible beneficiary, means—
 - (a) if section 169VI(1)(c) applies in relation to the disposal, that individual's share of the relevant gain on that disposal, within the meaning given by section 169VI(4) and (5);
 - (b) otherwise, the relevant gain on that disposal;
 - “the relevant gain”, in relation to a disposal, has the meaning given by section 169VC(3);
 - “trust disposal” means a disposal by the trustees of a settlement.

Claims for relief

169VM Claims for relief

- (1) Any claim for investors' relief must be made—
 - (a) in the case of a disposal by an individual, by that individual;
 - (b) in the case of a disposal by the trustees of a settlement, jointly by—
 - (i) the trustees, and
 - (ii) the eligible beneficiary in respect of the disposal, within the meaning given by section 169VH(2) (or, if more than one, all those eligible beneficiaries).
- (2) Any claim for investors' relief in respect of a disposal must be made on or before the first anniversary of the 31 January following the tax year in which the disposal is made.

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Reorganisations

169VN Reorganisations where no consideration given

- (1) This section applies where—
 - (a) there is a reorganisation within the meaning of section 126,
 - (b) immediately before the reorganisation, a qualifying person holds ordinary shares which, in relation to that reorganisation, are original shares within the meaning of section 126,
 - (c) on the reorganisation that person does not give or become liable to give any consideration for, or for any part of, a new holding, and
 - (d) at a time after the reorganisation, there is a disposal of all or part of a new holding.
- (2) In this section a “new holding” means—
 - (a) the holding that immediately after the reorganisation is (in relation to the original shares) the new holding within the meaning of section 126, or
 - (b) where the new holding within the meaning of section 126 consists of two or more actual holdings, any of those actual holdings.
- (3) Subsections (4) and (5) apply for the purposes of determining (for any purpose of this Chapter) the status of shares that immediately before the disposal mentioned in subsection (1)(d) are in the new holding mentioned there (“the new holding concerned”).
- (4) Where a number of the original shares were—
 - (a) subscribed for by the qualifying person,
 - (b) issued on a particular date (“the relevant issue date”), and
 - (c) held continuously by that person for a particular period ending immediately before the reorganisation (“the period concerned”),the following assumption is to be made.
- (5) That assumption is that an appropriate number of the new shares were—
 - (a) subscribed for by the qualifying person,
 - (b) issued on the relevant issue date, and
 - (c) had by the time immediately after the reorganisation already been held continuously by that person for the period concerned.
- (6) In subsections (4) and (5)—

“the appropriate number” has the meaning given by section 169VO;

“the original shares” means the shares held by the qualifying person immediately before the reorganisation that were original shares in relation to the reorganisation;

“the new shares” means the shares that immediately after the reorganisation were in the new holding concerned (including such, if any, of the original shares as remained after the reorganisation and were in that holding).

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- (7) In this section a reference to the “status” of a share is to whether it is qualifying, potentially qualifying or excluded.
- (8) Section 169VE applies to determine, for the purposes of this Chapter, which shares are included in a holding immediately before a reorganisation as it applies for the purposes of determining which shares are included in a holding immediately before a particular disposal.
- (9) References in this section to consideration are to be read in accordance with section 128(2).

169VO The appropriate number

- (1) The “appropriate number” for the purposes of section 169VN(5) is the number found by multiplying the number of shares that are in the new holding concerned immediately after the reorganisation by the fraction—

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

where—

A is the number of the original shares that were—

- (a) subscribed for by the qualifying person,
- (b) issued on the relevant issue date, and
- (c) continuously held by that person for the period concerned, and

B is the total number of the original shares.

- (2) In this section—
 - “the new holding concerned” has the meaning given by section 169VN(3);
 - “the original shares” has the meaning given by section 169VN(6);
 - “the relevant issue date” has the meaning given by section 169VN(4);
 - “the period concerned” has the meaning given by section 169VN(4).

169VP Reorganisations where consideration given

- (1) This section applies where—
 - (a) there is a reorganisation within the meaning of section 126,
 - (b) immediately before the reorganisation, a qualifying person holds ordinary shares which, in relation to that reorganisation, are original shares within the meaning of section 126,
 - (c) on the reorganisation that person gives or becomes liable to give consideration for shares (“ shares issued for consideration ”) which—
 - (i) are issued to that person on the reorganisation, and

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- (ii) immediately after the reorganisation are in a new holding, and
 - (d) at a time after the reorganisation, there is a disposal of all or part of that new holding.
- (2) In this section a “new holding” means—
 - (a) the holding that immediately after the reorganisation is (in relation to the original shares) the new holding within the meaning of section 126, or
 - (b) where the new holding within the meaning of section 126 consists of two or more actual holdings, any of those actual holdings.
- (3) In determining, for any purpose of this Chapter, the status of shares that immediately before the disposal mentioned in subsection (1)(d) are in the new holding mentioned there—
 - (a) the date of issue of the shares issued for consideration is to be taken to be their actual date of issue (rather than the date of issue of any of the original shares), and
 - (b) in relation to any part of the new holding for which consideration was not given, sections 169VN(3) to (6) and 169VO apply but as if any reference to the new holding concerned were to that part of the new holding.
- (4) Section 169VN(3) to (6) and 169VO also apply in relation to any other holding which is a new holding in relation to the reorganisation and as respects which the person did not, on the reorganisation, give or become liable to give any consideration.
- (5) In this section a reference to the “status” of a share is to whether it is qualifying, potentially qualifying or excluded.
- (6) References in this section to consideration are to be read in accordance with section 128(2).

169VQ Exchange of shares for those in another company

- (1) This section applies where section 135 applies in relation to an issue of shares in a company (“company B”) in exchange for shares in another company (“company A”).
- (2) For the purposes of sections 169VN to 169VP—
 - (a) companies A and B are to be treated as if they were the same company, and
 - (b) the exchange of shares is to be treated as if it were a reorganisation of that company's share capital.

169VR New shares issued on scheme of reconstruction

- (1) This section applies where—
 - (a) section 136 applies in relation to an arrangement between a company (“company A”) and the persons holding shares, or any class of shares, in company A, under which another company (“company B”) issues shares to those persons, and

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- (b) under section 136(2)(a) those persons are treated as exchanging shares in company A for the shares held by them in consequence of the arrangement.
- (2) For the purposes of sections 169VN to 169VP—
 - (a) companies A and B are to be treated as if they were the same company, and
 - (b) the exchange of shares is to be treated as if it were a reorganisation of that company's share capital.
- (3) In the following provisions of this Chapter, any reference to an exchange of shares includes anything that section 136(2)(a) treats as an exchange of shares.

169VS Modification of conditions for being a qualifying share

- (1) This section applies where—
 - (a) an ordinary share (“the original share”) is subscribed for by a qualifying person (“the investor”);
 - (b) the conditions in section 169VB(2)(c) and (d) are met in relation to the original share,
 - (c) the share is involved in an exchange of shares treated under section 169VQ or 169VR as a reorganisation of share capital, and accordingly is included in the original shares within the meaning of section 169VN(6), and
 - (d) subsequently there is a disposal of all or part of a holding of shares that in relation to that exchange is a new holding within the meaning given by section 169VN(2).
- (2) As respects a share which is in that holding immediately before that disposal, the conditions in section 169VB(2)(f) and (g) are to be regarded as met if (and only if)—
 - (a) in relation to the period beginning with the issue of the original share and ending with the exchange of shares, those conditions were met by the original share, and
 - (b) in relation to the period beginning with the exchange of shares and ending with the disposal, those conditions were met by a share representing the original share.
- (3) Accordingly—
 - (a) in section 169VB(2)(f) and (g) as they apply to the original share, any reference to the share-holding period is to be read as to the period mentioned in subsection (2)(a) above, and
 - (b) in section 169VB(2)(f) and (g) as they apply to a share representing the original share, any reference to the share-holding period is to be read as to the period mentioned in subsection (2)(b) above.
- (4) In subsection (1)(c) “the share” includes a share that, following a reorganisation or following an exchange of shares in relation to which section 169VQ or 169VR applies, represents the original share, and subsections (2) and (3) apply in such a case with the necessary modifications.

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169VT Election to disapply section 127

- (1) This section applies where—
 - (a) there is—
 - (i) a reorganisation (within the meaning of section 126), or
 - (ii) an exchange of shares which is treated as such a reorganisation by virtue of section 135 or 136, and
 - (b) the original shares and the new holding would fall to be treated by virtue of section 127 as the same asset.
- (2) If an election is made under this section, a claim for investors' relief may be made as if the reorganisation or exchange of shares involved a disposal of the original shares; and if such a claim is made section 127 and sections 169VN to 169VS do not apply.
- (3) Any election under this section must be made—
 - (a) if the reorganisation or exchange of shares would (apart from section 127) involve a disposal by the trustees of a settlement, jointly by—
 - (i) the trustees, and
 - (ii) the person who if the disposal were made would be the eligible beneficiary in respect of the disposal, within the meaning given by section 169VH(2) (or, if more than one, all the persons who would be such eligible beneficiaries);
 - (b) otherwise, by the individual concerned.
- (4) Any election under this section must be made on or before the first anniversary of the 31 January following the tax year in which the reorganisation or exchange of shares takes place.
- (5) In this section “the original shares” and “the new holding” have the meaning given by section 126.

Supplemental

169VU “Subscribe” etc

- (1) For the purposes of this Chapter (other than this subsection) a person “subscribes for” a share in a company if—
 - (a) that person subscribes for the share,
 - (b) the share is issued to that person by the company for consideration consisting wholly of cash,
 - (c) the share is fully paid up at the time it is issued,
 - (d) the share is subscribed for, and issued, for genuine commercial reasons and not as part of arrangements the main purpose, or one of the main purposes, of which is to secure a tax advantage to any person, and
 - (e) the share is subscribed for, and issued, by way of a bargain at arm's length.

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- (2) In subsection (1) “arrangements” and “tax advantage” have the same meaning as in section 16A.
- (3) If—
 - (a) an individual (“A”) subscribed for, or is treated under this subsection as having subscribed for, any shares,
 - (b) A transferred the shares to another individual (“B”) during their lives, and
 - (c) A was living together with B as B's spouse or civil partner at the time of the transfer,
 B is to be treated for the purposes of this Chapter as having subscribed for the shares.
- (4) Accordingly, for the purposes of this Chapter any period for which A held the shares continuously is to be added to, and treated as part of, the period for which B held the shares continuously.
- (5) In this Chapter, apart from subsections (3) and (4), references to a person's having subscribed for a share include the person's having subscribed for the share jointly with any other person (and references to a person's holding a share or to a share being issued to a person are to be read accordingly).

169VV “Trading company” etc

- (1) In this Chapter “trading company” and “the holding company of a trading group” have the same meaning as in section 165 (see section 165A).
- (2) For the purposes of this Chapter a company is not to be regarded as ceasing to be a trading company, or the holding company of a trading group, merely because of anything done in consequence of—
 - (a) the company, or any of its subsidiaries, being in administration or receivership, or
 - (b) a resolution having been passed, or an order made, for the winding up of the company or any of its subsidiaries.
- (3) But subsection (2) applies only if—
 - (a) the entry into administration or receivership, or the resolution or order for winding up, and
 - (b) everything done as a result of the company concerned being in administration or receivership, or as a result of that resolution or order,
 is for genuine commercial reasons and is not part of a scheme or arrangement the main purpose or one of the main purposes of which is the avoidance of tax.

169VW “Relevant employee”

- (1) This section applies to determine for the purposes of—
 - (a) section 169VB(2)(g), or
 - (b) section 169VH(2)(c),
 whether a particular person has at any time in the relevant period been a “relevant employee” in respect of the issuing company.

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- (2) A person who has at any time in the relevant period been an officer or employee of—
- (a) the issuing company, or
 - (b) a connected company,
- is to be regarded as having at that time been a relevant employee in respect of the issuing company, but this is subject to subsections (3) and (5).
- (3) If—
- (a) a person is an unremunerated director of the issuing company or a connected company at any time in the relevant period, and
 - (b) the condition in subsection (4) is met,
- the fact that the person holds that directorship at that time does not make the person a relevant employee in respect of the issuing company at that time.
- (4) The condition referred to in subsection (3) is that at no time before the relevant period had the person mentioned in that subsection, or a person connected with that person, been—
- (a) connected with the issuing company, or
 - (b) involved in carrying on (whether on the person's own account or as a partner, director or employee) the whole or any part of the trade, business or profession carried on by the issuing company or a company connected with that company.
- (5) If—
- (a) a person becomes an employee of the issuing company or a connected company at a time which is—
 - (i) within the relevant period, but
 - (ii) not within the first 180 days of that period,
 - (b) at the beginning of the relevant period, there was no reasonable prospect that the person would become such an employee within the relevant period, and
 - (c) the person is not at any time in the relevant period a director of the issuing company or a connected company,
- that employment of the person does not make the person a relevant employee in respect of the issuing company at any time in the relevant period.
- (6) For the purposes of subsection (5) there is a “reasonable prospect” of a thing if it is more likely than not.
- (7) In this section—
- “director” is to be read in accordance with section 452 of CTA 2010,
- “connected company” means a company which at any time in the relevant period is connected with the issuing company (and it does not matter for this purpose whether that time is a time when the person in question is an officer or employee of either company);
- “the issuing company” means the company mentioned in (as the case may be) section 169VB(2)(g) or section 169VH(2)(c);
- “the relevant period” means the period mentioned in (as the case may be) section 169VB(2)(g) or section 169VH(2)(c);

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“unremunerated director” has the meaning given by section 169VX.

169VX “Unremunerated director”

- (1) For the purposes of section 169VW a person (“the person concerned”) is an “unremunerated director” of the issuing company or a connected company at a particular time in the relevant period if that person is a director of that company at that time and—
 - (a) does not receive in the relevant period any disqualifying payment from the issuing company or a related person, and
 - (b) is not entitled to receive any such payment in respect of that period or any part of it.
- (2) In this section “disqualifying payment” means any payment other than—
 - (a) a payment or reimbursement of travelling or other expenses wholly, exclusively and necessarily incurred by the person concerned in the performance of his or her duties as a director,
 - (b) any interest which represents no more than a reasonable commercial return on money lent to the issuing company or a related person,
 - (c) any dividend or other distribution which does not exceed a normal return on the investment to which the dividend or distribution relates,
 - (d) any payment for the supply of goods which does not exceed their market value,
 - (e) any payment of rent for any property occupied by the issuing company or a related person which does not exceed a reasonable and commercial rent for the property, or
 - (f) any necessary and reasonable remuneration which is—
 - (i) paid for qualifying services that are provided to the issuing company or a related person in the course of a trade or profession carried on wholly or partly in the United Kingdom, and
 - (ii) taken into account in calculating for tax purposes the profits of that trade or profession.
- (3) In this section a “related person” means—
 - (a) a connected company of which the person concerned is a director, or
 - (b) any person connected with the issuing company or with a company within paragraph (a).
- (4) In this section any reference to a payment to the person concerned includes a payment made to that person indirectly or to that person's order or for that person's benefit.
- (5) In this section “qualifying services” means services which are—
 - (a) not secretarial or managerial services, and
 - (b) not services of a kind provided by the person to whom they are provided.
- (6) In this section the following expressions have the same meaning as in section 169VW—

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“connected company”;
“director”;
“issuing company”;
“relevant period”.

169VY General definitions

In this Chapter—

“employee” (except in the expression “relevant employee”, which is to be read in accordance with section 169VW) has the meaning given by section 4 of ITEPA 2003;
“employment” has the meaning given by section 4 of ITEPA 2003;
“exchange of shares” is to be read in accordance with section 169VR(3);
“excluded share” has the meaning given by section 169VB;
a “holding” of shares in a company means a holding of such shares which by virtue of section 104(1) is to be regarded as a single asset;
“investors' relief” has the meaning given by section 169VA(3);
“office” has the meaning given by section 5(3) of ITEPA 2003;
“ordinary shares”, in relation to a company, means any shares forming part of the company's ordinary share capital (within the meaning given by section 989 of ITA 2007);
“potentially qualifying share” has the meaning given by section 169VB;
“qualifying person” has the meaning given by section 169VC(7);
“qualifying share” has the meaning given by section 169VB;
“subscribe” is to be read in accordance with section 169VU;
“trading company” and “the holding company of a trading group” are to be read in accordance with section 169VV.”

3 After Schedule 7ZA of TCGA 1992 (inserted by Schedule 13) insert—

“SCHEDULE
7ZB

Section 169VB

INVESTORS' RELIEF: DISQUALIFICATION OF SHARES

Disqualification of shares where value received in period of restriction

- 1 (1) Sub-paragraph (2) applies where—
 - (a) shares in a company are issued to a qualifying person (“the investor”) on a particular date,
 - (b) any of those shares would, apart from this Schedule, be or be treated as being qualifying shares or potentially qualifying shares at a particular time (“the relevant time”), and
 - (c) the investor receives any value, other than insignificant value, from the company at any time in the period of restriction.
- (2) The shares in question are to be treated for the purposes of this Chapter as being excluded shares at the relevant time.
- (3) Where—

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- (a) the investor receives value (“the relevant receipt”) from the company during the period of restriction,
- (b) the investor has received from the company one or more receipts of insignificant value at a time or times—
 - (i) during that period, but
 - (ii) not later than the time of the relevant receipt, and
- (c) the aggregate amount of the value of the receipts within paragraphs (a) and (b) is not an amount of insignificant value,

the investor is to be treated for the purposes of this Schedule as if the relevant receipt had been a receipt of an amount equal to that aggregate amount.

For this purpose a receipt does not fall within paragraph (b) in relation to the shares if it has previously been aggregated under this sub-paragraph in relation to them.

- (4) In this Schedule “the period of restriction” means the period—
 - (a) beginning one year before the date the shares are issued, and
 - (b) ending immediately before the third anniversary of the date the shares are issued.
- (5) In sub-paragraphs (3) and (4) and in the following provisions of this Schedule references to “the shares” are to the shares referred to in sub-paragraph (1)(a).
- (6) This paragraph is subject to paragraph 4.

“Receives value”

- 2 (1) For the purposes of this Schedule the investor receives value from the company if the company—
 - (a) repays, redeems or repurchases any of its share capital or securities which belong to the investor or makes any payment to the investor for giving up a right to any of the company's share capital or any security on its cancellation or extinguishment,
 - (b) repays, in pursuance of any arrangements for or in connection with the acquisition of the shares, any debt owed to the investor other than a debt which was incurred by the company—
 - (i) on or after the date of issue of the shares, and
 - (ii) otherwise than in consideration of the extinguishment of a debt incurred before that date,
 - (c) makes to the investor any payment for giving up the investor's right to any debt on its extinguishment,
 - (d) releases or waives any liability of the investor to the company or discharges, or undertakes to discharge, any liability of the investor to a third person,
 - (e) makes a loan or advance to the investor which has not been repaid in full before the issue of the shares,
 - (f) provides a benefit or facility for the investor,
 - (g) disposes of an asset to the investor for no consideration or for a consideration which is or the value of which is less than the market value of the asset,

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- (h) acquires an asset from the investor for a consideration which is or the value of which is more than the market value of the asset, or
 - (i) makes any payment to the investor other than a qualifying payment.
- (2) For the purposes of sub-paragraph (1)(e) there is to be treated as if it were a loan made by the company to the investor—
 - (a) the amount of any debt (other than an ordinary trade debt) incurred by the investor to the company, and
 - (b) the amount of any debt due from the investor to a third person which has been assigned to the company.
- (3) For the purposes of this paragraph the investor also receives value from the company if any person connected with the company—
 - (a) purchases any of its share capital or securities which belong to the investor, or
 - (b) makes any payment to the investor for giving up any right in relation to any of the company's share capital or securities.
- (4) In this paragraph “qualifying payment” means—
 - (a) the payment by any company of such remuneration for service as an officer or employee of that company as may be reasonable in relation to the duties of that office or employment,
 - (b) any payment or reimbursement by any company of travelling or other expenses wholly, exclusively and necessarily incurred by the investor to whom the payment is made in the performance of duties as an officer or employee of that company,
 - (c) the payment by any company of any interest which represents no more than a reasonable commercial return on money lent to that company,
 - (d) the payment by any company of any dividend or other distribution which does not exceed a normal return on any investment in shares in or other securities of that company,
 - (e) any payment for the supply of goods which does not exceed their market value,
 - (f) any payment for the acquisition of an asset which does not exceed its market value,
 - (g) the payment by any company, as rent for any property occupied by the company, of an amount not exceeding a reasonable and commercial rent for the property,
 - (h) any reasonable and necessary remuneration which—
 - (i) is paid by any company for services rendered to that company in the course of a trade or profession carried on wholly or partly in the United Kingdom; and
 - (ii) is taken into account in calculating for tax purposes the profits of that trade or profession, or
 - (i) a payment in discharge of an ordinary trade debt.
- (5) For the purposes of this paragraph a company is to be treated as having released or waived a liability if the liability is not discharged within 12 months of the time when it ought to have been discharged.
- (6) In this paragraph—

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- (a) references to a debt or liability do not, in relation to a company, include references to any debt or liability which would be discharged by the making by that company of a qualifying payment, and
 - (b) references to a benefit or facility do not include references to any benefit or facility provided in circumstances such that, if a payment had been made of an amount equal to its value, that payment would be a qualifying payment.
- (7) In this paragraph and paragraph 3—
- (a) any reference to a payment or disposal to the investor includes a reference to a payment or disposal made to the investor indirectly or to the investor's order or for the investor's benefit;
 - (b) any reference to the investor includes an associate of the investor;
 - (c) any reference to a company includes a person who at any time in the period of restriction is connected with the company, whether or not that person is connected at the material time.
- (8) In this paragraph “ordinary trade debt” means any debt for goods or services supplied in the ordinary course of a trade or business where any credit given—
- (a) does not exceed six months, and
 - (b) is not longer than that normally given to customers of the person carrying on the trade or business.

Amount of value

- 3 (1) For the purposes of paragraph 1, the value received by the investor is—
- (a) in a case within paragraph 2(1)(a), (b) or (c), the amount received by the investor or, if greater, the market value of the share capital, securities or debt in question;
 - (b) in a case within paragraph 2(1)(d), the amount of the liability;
 - (c) in a case within paragraph 2(1)(e), the amount of the loan or advance reduced by the amount of any repayment made before the issue of the shares;
 - (d) in a case within paragraph 2(1)(f), the cost to the company of providing the benefit or facility less any consideration given for it by the investor;
 - (e) in a case within paragraph 2(1)(g) or (h), the difference between the market value of the asset and the consideration (if any) given for it;
 - (f) in a case within paragraph 2(1)(i), the amount of the payment;
 - (g) in a case within paragraph 2(3), the amount received by the investor or, if greater, the market value of the share capital or securities in question.
- (2) In this Schedule references to a receipt of insignificant value (however expressed) are references to a receipt of an amount of insignificant value.
- This is subject to sub-paragraph (4).
- (3) For the purposes of this Schedule “an amount of insignificant value” means an amount of value which does not exceed £1,000.

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- (4) For the purposes of this Schedule, if at any time in the period—
- (a) beginning one year before the shares are issued, and
 - (b) expiring at the end of the issue date,
- arrangements are in existence which provide for the investor to receive or to be entitled to receive, at any time in the period of restriction, any value from the company that issued the shares, no amount of value received by the investor is to be treated as a receipt of insignificant value.
- (5) In sub-paragraph (4)—
- (a) any reference to the investor includes a reference to any person who, at any time in the period of restriction, is an associate of the investor (whether or not that person is such an associate at the material time), and
 - (b) the reference to the company includes a reference to any person who, at any time in the period of restriction, is connected with the company (whether or not that person is so connected at the material time).

Receipt of replacement value

- 4 (1) Where—
- (a) by reason of a receipt of value within sub-paragraph (1) (other than paragraph (b)) or sub-paragraph (3) of paragraph 2 (“the original value”), any shares would, in the absence of this paragraph, be treated under this Schedule as excluded shares at a particular time,
 - (b) at or before that time the original supplier receives value (“the replacement value”) from the original recipient by reason of a qualifying receipt, and
 - (c) the amount of the replacement value is not less than the amount of the original value,
- the receipt of the original value is to be disregarded for the purposes of this Schedule.
- (2) This paragraph is subject to paragraph 5.
- (3) For the purposes of this paragraph and paragraph 5—
- (a) “the original recipient” means the person who receives the original value, and
 - (b) “the original supplier” means the person from whom that value was received.
- (4) A receipt of the replacement value is a qualifying receipt for the purposes of sub-paragraph (1) if it arises—
- (a) by reason of the original recipient doing one or more of the following—
 - (i) making a payment to the original supplier, other than a payment which falls within paragraph (c) or to which sub-paragraph (5) applies,
 - (ii) acquiring any asset from the original supplier for a consideration the amount or value of which is more than the market value of the asset,

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- (iii) disposing of any asset to the original supplier for no consideration or for a consideration the amount or value of which is less than the market value of the asset,
 - (b) where the receipt of the original value was within paragraph 2(1)(d), by reason of an event the effect of which is to reverse the event which constituted the receipt of the original value, or
 - (c) where the receipt of the original value was within paragraph 2(3), by reason of the original recipient repurchasing the share capital or securities in question, or (as the case may be) reacquiring the right in question, for a consideration the amount or value of which is not less than the amount of the original value.
- (5) This sub-paragraph applies to—
- (a) any payment for any goods, services or facilities, provided (whether in the course of a trade or otherwise) by—
 - (i) the original supplier, or
 - (ii) any other person who, at any time in the period of restriction, is an associate of, or connected with, that supplier (whether or not that person is such an associate, or so connected, at the material time),
 which is reasonable in relation to the market value of those goods, services or facilities,
 - (b) any payment of any interest which represents no more than a reasonable commercial return on money lent to—
 - (i) the original recipient, or
 - (ii) any person who, at any time in the period of restriction, is an associate of the original recipient (whether or not such an associate at the material time),
 - (c) any payment for the acquisition of an asset which does not exceed its market value,
 - (d) any payment, as rent for any property occupied by—
 - (i) the original recipient, or
 - (ii) any person who, at any time in the period of restriction, is an associate of the original recipient (whether or not such an associate at the material time),
 of an amount not exceeding a reasonable and commercial rent for the property,
 - (e) any payment in discharge of an ordinary trade debt (within the meaning of paragraph 2(8)), and
 - (f) any payment for shares in or securities of any company in circumstances that do not fall within sub-paragraph (4)(a)(ii).
- (6) For the purposes of this paragraph, the amount of the replacement value is—
- (a) in a case within paragraph (a) of sub-paragraph (4), the aggregate of—
 - (i) the amount of any payment within sub-paragraph (i) of that paragraph, and
 - (ii) the difference between the market value of any asset within sub-paragraph (ii) or (iii) of that paragraph and the amount or value of the consideration (if any) received for it,

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- (b) in a case within sub-paragraph (4)(b), the same as the amount of the original value, and
 - (c) in a case within sub-paragraph (4)(c), the amount or value of the consideration received by the original supplier,
- and paragraph 3(1) applies for the purposes of determining the amount of the original value.
- (7) In this paragraph any reference to a payment to a person (however expressed) includes a reference to a payment made to the person indirectly or to the person's order or for the person's benefit.
- 5 (1) The receipt of the replacement value by the original supplier is to be disregarded for the purposes of paragraph 4, as it applies in relation to the shares, to the extent to which that receipt has previously been set (under that paragraph) against any receipts of value which are, in consequence, disregarded for the purposes of paragraph 4 as that paragraph applies in relation to those shares or any other shares subscribed for by the investor.
- (2) The receipt of the replacement value by the original supplier ("the event") is also to be disregarded for the purposes of paragraph 4 if—
 - (a) the event occurs before the start of the period of restriction, or
 - (b) in a case where the event occurs after the time the original recipient receives the original value, it does not occur as soon after that time as is reasonably practicable in the circumstances.

But nothing in paragraph 4 or this paragraph requires the replacement value to be received after the original value.

- (3) In this paragraph "the original value" and "the replacement value" are to be construed in accordance with paragraph 4.

Interpretation

- 6 In this Schedule—
 - "arrangements" includes any scheme, agreement, understanding, transaction or series of transactions (whether or not legally enforceable);
 - "associate" has the meaning that would be given by section 448 of CTA 2010 if in that section "relative" did not include a brother or sister;
 - "period of restriction" has the meaning given by paragraph 1(4);
 - "the shares" has the meaning given by paragraph 1(5)."

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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):

- Sch. 19 para. 12(5)(b) inserted by [2017 c. 32 Sch. 14 para. 49\(2\)\(c\)](#)
- Sch. 19 para. 12(5)(a) word inserted by [2017 c. 32 Sch. 14 para. 49\(2\)\(b\)](#)
- Sch. 19 para. 51(8)(b) words inserted by [2017 c. 32 Sch. 14 para. 48\(2\)](#)
- Sch. 19 para. 53(1) words inserted by [2017 c. 32 Sch. 14 para. 48\(4\)\(a\)](#)
- Sch. 19 para. 53(1) words inserted by [2017 c. 32 Sch. 14 para. 48\(4\)\(b\)](#)
- Sch. 19 para. 12(5)(a) words renumbered as Sch. 19 para. 12(5)(a) by [2017 c. 32 Sch. 14 para. 49\(2\)\(a\)](#)
- Sch. 19 para. 58(1) words substituted by [2017 c. 32 Sch. 14 para. 48\(5\)](#)
- Sch. 20 para. 1(4)(e) inserted by [2021 c. 26 Sch. 27 para. 47\(2\)](#)
- Sch. 20 para. 3(3)(d) and word inserted by [2021 c. 26 Sch. 27 para. 47\(3\)\(b\)](#)
- Sch. 20 para. 5(5) inserted by [2021 c. 26 Sch. 27 para. 47\(5\)](#)
- Sch. 22 para. 2(4B) inserted by [2021 c. 26 Sch. 27 para. 48\(2\)\(c\)](#)
- Sch. 22 para. 3(4A) inserted by [2021 c. 26 Sch. 27 para. 48\(3\)](#)