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## SCHEDULES

### SCHEDULE 14 **U.K.**

#### INVESTORS' RELIEF

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

#### “SCHEDULE 7ZB **U.K.**”

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—
- (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.

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- (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,
  - (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—

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- (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—
- (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.

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- (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.
- (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

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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,
    - (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

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- (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,
  - (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.

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- (2) The receipt of the replacement value by the original supplier (“the event”) is also 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\(3\)](#)