
Changes to legislation: Finance (No. 2) Act 2017, Cross Heading: The no disqualifying arrangements requirement is up to date with all changes known to be in force on or before 21 February 2024. 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 1

SOCIAL INVESTMENT TAX RELIEF

PART 1

AMENDMENTS OF PART 5B OF ITA 2007

The no disqualifying arrangements requirement

4 After section 257LE insert—

“257LEA The no disqualifying arrangements requirement

- (1) The investment must not be made, and money raised by the social enterprise from the making of the investment must not be employed,—
 - (a) in consequence or anticipation of disqualifying arrangements, or
 - (b) otherwise in connection with disqualifying arrangements.
- (2) Arrangements are “disqualifying arrangements” if—
 - (a) the main purpose, or one of the main purposes, of the arrangements is to secure both that an activity is or will be carried on by the social enterprise or a 90% social subsidiary of the social enterprise and that—
 - (i) one or more persons (whether or not including any party to the arrangements) may obtain relevant tax relief in respect of a qualifying investment which raises money for the purposes of that activity, or
 - (ii) shares issued by the social enterprise which raise money for the purposes of that activity may comprise part of the qualifying holdings of a VCT,
 - (b) that activity is the relevant qualifying activity, and
 - (c) one or both of conditions A and B are met.
- (3) Condition A is that, as a (direct or indirect) result of the money raised by the investment being employed as required by section 257MM, an amount representing the whole or the majority of the amount raised is, in the course of the arrangements, paid to or for the benefit of a relevant person or relevant persons.
- (4) Condition B is that, in the absence of the arrangements, it would have been reasonable to expect that the whole or greater part of the component activities of the relevant qualifying activity would have been carried on as part of another business by a relevant person or relevant persons.

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(5) For the purposes of this section it is immaterial whether the social enterprise is a party to the arrangements.

(6) In this section—

“90% social subsidiary” is to be read in accordance with section 257MV;

“component activities” means the carrying on of a qualifying trade or preparing to carry on such a trade, which constitutes the relevant qualifying activity;

a “qualifying investment” means—

- (a) shares in the social enterprise, or
- (b) a qualifying debt investment in the social enterprise (see section 257L);

“qualifying holdings”, in relation to the social enterprise, is to be construed in accordance with section 286 (VCTs: qualifying holdings);

“relevant person” means a person who is a party to the arrangements or a person connected with such a party;

“relevant qualifying activity” means the qualifying trade or activity mentioned in section 257ML(1) for the purposes of which the investment raised money;

“relevant tax relief” has the meaning given by subsection (7).

(7) “Relevant tax relief”—

- (a) in relation to a qualifying debt investment, means SI relief in respect of that investment;
- (b) in relation to shares, means one or more of the following—
 - (i) SI relief in respect of the shares;
 - (ii) EIS relief (within the meaning of Part 5) in respect of the shares;
 - (iii) SEIS relief (within the meaning of Part 5A) in respect of the shares;
 - (iv) relief under Chapter 6 of Part 4 (losses on disposal of shares) in respect of the shares;
 - (v) relief under section 150A or 150E of TCGA 1992 (EIS and SEIS) in respect of the shares;
 - (vi) relief under Schedule 5B to that Act (EIS: reinvestment) in consequence of which deferral relief is attributable to the shares (see paragraph 19(2) of that Schedule);
 - (vii) relief under Schedule 5BB to that Act (SEIS: re-investment) in consequence of which SEIS re-investment relief is attributable to the shares (see paragraph 4 of that Schedule).”

5 (1) Section 257SH (power to require information where reason to believe SI relief may not be due because of certain kinds of arrangements, etc) is amended as follows.

(2) In subsection (1) after “257LE,” insert “ 257LEA, ”.

(3) In subsection (4) at the appropriate place insert—

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“Section 257LEA

The investor, the social enterprise, any person controlling the social enterprise and any person whom an officer of Revenue and Customs has reason to believe may be a party to the arrangements in question”

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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. A1 para. 8(6)(b) omitted by [2022 c. 3 Sch. 1 para. 32\(b\)](#)
- Sch. A1 para. 8(2) substituted by [2022 c. 3 Sch. 1 para. 32\(a\)](#)