
Changes to legislation: There are currently no known outstanding effects for the Finance Act 2018, Paragraph 1. (See end of Document for details)

SCHEDULES

SCHEDULE 4

EIS AND VCT RELIEFS: KNOWLEDGE-INTENSIVE COMPANIES

Amount of EIS relief

- 1 (1) Section 158 of ITA 2007 (form and amount of EIS relief) is amended as follows.
- (2) In subsection (2)(a), after “EIS relief” insert “ (qualifying shares) ”.
- (3) In subsection (2)(b), for “£1 million” substitute “ the allowable amount ”.
- (4) After subsection (2) insert—
- “(2ZA) The allowable amount is—
- (a) if the qualifying shares do not include any KIC shares: £1 million;
 - (b) if the amount, or the sum of the amounts, subscribed for qualifying shares that are KIC shares is £1 million or more: £2 million;
 - (c) if neither paragraph (a) nor paragraph (b) applies: £1 million plus the amount, or the sum of the amounts, subscribed for qualifying shares that are KIC shares.
- (2ZB) In subsection (2ZA) “KIC shares” means shares in a company which, or in companies each of which, is a knowledge-intensive company at the time the shares are issued (see section 252A and subsection (6)).”
- (5) In subsection (4), for “subsections (1) and (2)” substitute “ subsections (1) to (2ZB) ”.
- (6) At the end insert—
- “(6) If the issuing company began to carry on a trade less than three years before the date the relevant shares are issued, section 252A as it applies for the purposes of this section has effect with the substitution of the following subsections for subsections (2) to (4A)—
- “(2) The first operating costs condition is that in at least one of the relevant three succeeding years at least 15% of the relevant operating costs constitute expenditure on research and development or innovation.
 - (3) The second operating costs condition is that in each of the relevant three succeeding years at least 10% of the relevant operating costs constitute such expenditure.
 - (4) In subsections (2) and (3)—
“relevant operating costs” means—
 - (a) if the issuing company is a single company at the time the relevant shares are issued, the operating costs of that company, and

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- (b) if the issuing company is a parent company at the time the relevant shares are issued, the sum of—
 - (i) the operating costs of the issuing company, and
 - (ii) the operating costs of each company which is a qualifying subsidiary of the issuing company at that time, excluding a company's operating costs for any of the relevant three succeeding years during any part of which the company is not a qualifying subsidiary of the issuing company;

“the relevant three succeeding years” means the three consecutive years the first of which begins with the date the relevant shares are issued.”

- (7) In subsection (6) “trade” includes—
 - (a) any business or profession,
 - (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,
 - (c) preparing to carry on a trade.”

Commencement Information

- II** Sch. 4 para. 1 in force at 6.4.2018 for the purposes of the amendments made by that paragraph by [S.I. 2018/931, reg. 3\(a\)](#)

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