



# Income Tax Act 2007

## 2007 CHAPTER 3

### PART 5

#### ENTERPRISE INVESTMENT SCHEME

### CHAPTER 3

#### GENERAL REQUIREMENTS

##### *The requirements*

#### **[<sup>F1</sup>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 [<sup>F2</sup>beginning with—
    - (i) the relevant first commercial sale, or
    - (ii) if the issuing company so elects, the date by reference to which that company is treated as reaching an annual turnover of £200,000 (see section 252B),] 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—

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- (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);
    - (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 [<sup>F3</sup>relevant five year period.]
- <sup>F4</sup> [ Subject to subsection (7B), the relevant five year period is the five year period which (7A) ends immediately before the beginning of the last accounts filing period.

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(7B) If the last accounts filing period ends more than 12 months before the issue date, the relevant five year period is the five year period which ends 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) [<sup>F5</sup>as it had effect in the United Kingdom immediately before IP completion day];

“first commercial sale” has the same meaning as in the European Commission's Guidelines on State aid to promote risk finance investments [<sup>F6</sup>(as those guidelines had effect in the United Kingdom immediately before IP completion day)];

“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 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 subparagraphs (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

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the trade became a transferred trade (except to the extent that it is already included in calculating the amounts within subparagraphs (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 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.]

#### Textual Amendments

- F1** S. 175A inserted (with effect in accordance with Sch. 5 para. 23 of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 5 para. 12](#)
- F2** Words in s. 175A(2)(a) substituted (6.4.2018) by [Finance Act 2018 \(c. 3\)](#), [Sch. 4 paras. 5, 10](#); S.I. 2018/931, [reg. 3\(a\)](#)
- F3** Words in s. 175A(7) substituted (retrospectively) by [Finance Act 2016 \(c. 24\)](#), [s. 29\(1\)\(a\)\(6\)](#) (with s. 30)
- F4** S. 175A(7A)(7B) inserted (retrospectively) by [Finance Act 2016 \(c. 24\)](#), [s. 29\(1\)\(b\)\(6\)](#) (with s. 30)
- F5** Words in s. 175A(8) inserted (31.12.2020) by [The Taxes \(State Aid\) \(Amendments\) \(EU Exit\) Regulations 2020 \(S.I. 2020/1499\)](#), [regs. 1, 4\(3\)\(a\)](#)
- F6** Words in s. 175A(8) substituted (31.12.2020) by [The Taxes \(State Aid\) \(Amendments\) \(EU Exit\) Regulations 2020 \(S.I. 2020/1499\)](#), [regs. 1, 4\(3\)\(b\)](#)

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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):

- s. 24B inserted by [2023 c. 30 Sch. 2 para. 10\(3\)](#)
- s. 788(7) inserted by [2007 c. 29 Sch. 21 para. 161\(b\)](#) (The amending provision was repealed before coming into force.)