



Income Tax Act 2007

2007 CHAPTER 3

PART 5

ENTERPRISE INVESTMENT SCHEME

CHAPTER 1

INTRODUCTION

EIS relief

158 Form and amount of EIS relief

- (1) If an individual—
- (a) is eligible for EIS relief in respect of any amount subscribed for shares, and
 - (b) makes a claim in respect of all or some of the shares included in the issue,
- the individual is entitled to a tax reduction for the tax year in which the shares were issued (“the current year”).

This is subject to the provisions of this Part.

- (2) The amount of the tax reduction to which the individual is entitled is the amount equal to tax at the [^{F1}EIS rate] for the current year on—
- (a) the amount or, as the case may be, the sum of the amounts subscribed for shares issued in that year in respect of which the individual is eligible for and claims EIS relief [^{F2}(qualifying shares)], or
 - (b) if less, [^{F3}the allowable amount].

[^{F4}(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;

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- (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)).]

[^{F5}(2A) In this Part “the EIS rate” means [^{F6}30%].]

(3) The tax reduction is given effect at Step 6 of the calculation in section 23.

(4) ^{F7}... if in the case of any issue of shares—

- (a) which are issued ^{F7}... in the current year, and
 (b) in respect of the amount subscribed for which the individual is eligible for EIS relief,

the individual so claims, [^{F8}subsections (1) to (2ZB)] apply as if, in respect of such part of that issue as may be specified in the claim, the shares had been issued in the preceding tax year; and the individual's liability to tax for both tax years is determined accordingly.

^{F9}(5)

[^{F10}(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
 (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.”

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- (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.]

Textual Amendments

- F1** Words in s. 158(2) substituted (21.7.2008 with effect in accordance with Sch. 1 para. 65 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **Sch. 1 para. 13(2)**
- F2** Words in s. 158(2)(a) inserted (6.4.2018) by [Finance Act 2018 \(c. 3\)](#), **Sch. 4 paras. 1(2)**, 10; S.I. 2018/931, reg. 3(a)
- F3** Words in s. 158(2)(b) substituted (6.4.2018) by [Finance Act 2018 \(c. 3\)](#), **Sch. 4 para. 1(3)**, 10; S.I. 2018/931, reg. 3(a)
- F4** S. 158(2ZA)(2ZB) inserted (6.4.2018) by [Finance Act 2018 \(c. 3\)](#), **Sch. 4 paras. 1(4)**, 10; S.I. 2018/931, reg. 3(a)
- F5** S. 158(2A) inserted (21.7.2008 with effect in accordance with Sch. 1 para. 65 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), **Sch. 1 para. 13(3)**
- F6** Word in s. 158(2A) substituted (13.10.2011) (with effect in accordance with s. 42(7)(8) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **s. 42(2)(6)**; S.I. 2011/2459, art. 2
- F7** Words in s. 158(4) omitted (with effect in accordance with Sch. 8 para. 13(2) of the amending Act) by virtue of [Finance Act 2009 \(c. 10\)](#), **Sch. 8 para. 6(2)**
- F8** Words in s. 158(4) substituted (6.4.2018) by [Finance Act 2018 \(c. 3\)](#), **Sch. 4 paras. 1(5)**, 10; S.I. 2018/931, reg. 3(a)
- F9** S. 158(5) omitted (with effect in accordance with Sch. 8 para. 13(3) of the amending Act) by virtue of [Finance Act 2009 \(c. 10\)](#), **Sch. 8 para. 6(3)**
- F10** S. 158(6)(7) inserted (6.4.2018) by [Finance Act 2018 \(c. 3\)](#), **Sch. 4 paras. 1(6)**, 10; S.I. 2018/931, reg. 3(a)

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