



Finance Act 1981

1981 CHAPTER 35

PART IV

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER II

RELIEF FOR INVESTMENT IN NEW CORPORATE TRADES

52 The relief

- (1) This Chapter has effect for affording relief from income tax where—
 - (a) an individual who qualifies for the relief subscribes for ordinary shares in a new qualifying company ; and
 - (b) the shares are issued to him for the purpose of raising money for a new qualifying trade which is being carried on by the company or which it intends to carry on within the next twelve months.
- (2) The relief in respect of the amount subscribed by an individual for any shares shall be given as a deduction of that amount from his total income for the year of assessment in which the shares are issued, and references in this Chapter to the amount of the relief are references to the amount of that deduction.
- (3) The relief shall be given on a claim and shall not be allowed—
 - (a) unless and until the company has carried on the new trade for twelve months ; and
 - (b) if the company is not carrying on that trade at the time when the shares are issued, unless the company begins to carry it on within twelve months after that time or within such further period (not exceeding twelve months) as the Board may allow.
- (4) A claim for the relief may be allowed at any time after the end of the year of assessment in which the shares are issued (or, where the period mentioned in subsection (3) (a)

Status: This is the original version (as it was originally enacted).

above ends later, after the end of that period) if the conditions for the relief are then satisfied but subject, in the case of a claim allowed before the end of the relevant period, to the withdrawal of the relief if by reason of any subsequent event it appears that the claimant was not entitled to the relief allowed.

- (5) In this Chapter "the relevant period", in relation to relief in respect of any shares issued by a company, means the period beginning with the incorporation of the company (or, if the company was incorporated more than two years before the date on which the shares were issued, beginning two years before that date) and ending—
- (a) five years ; or
 - (b) as respects sections 55, 56 and 65 below, three years,
- after the issue of the shares.
- (6) Where by reason of its being wound up, or dissolved without winding up, the company carries on the new trade for a period shorter than twelve months, subsection (3)(a) above shall have effect as if it referred to that shorter period but only if it is shown that the winding up or dissolution was for bona fide commercial reasons and not as part of a scheme or arrangement the main purpose or one of the main purposes of which was the avoidance of tax.
- (7) The relief shall be treated for the purposes of section 34(3) of the Finance Act 1971 (effect of deductions) as a deduction to be made under Chapter II of Part I of the Taxes Act after all other deductions under that Chapter and shall be disregarded for the purposes of section 204(3) of the Taxes Act (pay as you earn) and of calculating relief under section 400(2) of the Taxes Act, paragraph 3 of Schedule 3 to that Act, paragraph 7 of Schedule 8 to that Act in a case where an election has effect under section 31(7) above or paragraph 6(2) of Schedule 9 to this Act (top-slicing).
- (8) Where a claim is made in respect of shares issued in any year of assessment and the period mentioned in subsection (3)(a) above ends in a later year, then, if effect is given to the claim by a repayment of tax, section 47 of the Finance (No. 2) Act 1975 (repayment supplement) shall have effect in relation to the repayment as if the time from which the twelve months mentioned in subsections (1)(a) and (4)(a) of that section are to be calculated were the end of that later year.
- (9) This section applies only where the shares are issued in the year 1981-82 or either of the next two years of assessment.