



Income Tax Act 2007

2007 CHAPTER 3

[^{F1}PART 5B

TAX RELIEF FOR SOCIAL INVESTMENTS

CHAPTER 7

WITHDRAWAL OR REDUCTION OF SI RELIEF

[^{F1}Repayments etc of investments to other persons

Textual Amendments

F1 Pt. 5B inserted (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 11 para. 1](#)

257QJ Repayments etc of share capital to other persons

- (1) This section applies if any SI relief is attributable to the whole or any part of the investment and, at any time in the longer applicable period, the social enterprise or any subsidiary—
 - (a) repays, redeems or repurchases any of its share capital which belongs to any member other than—
 - (i) the investor, or
 - (ii) a person who falls within subsection (5), or
 - (b) makes any payment to any such member for giving up the member's right to any of the share capital of the social enterprise or subsidiary on its cancellation or extinguishment.
- (2) The SI relief must—
 - (a) if it is greater than the amount given by the formula set out in subsection (3), be reduced by that amount, and

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- (b) in any other case, be withdrawn.
- (3) The formula is—
- $$A \times R$$
- where—
- A is the amount received by the member, and
- R is the SI rate for the tax year for which the SI relief was given.
- (4) This section is subject to sections 257QK to 257QP; and sections 257QL to 257QO are to be applied in the order in which they appear in this Part.
- (5) A person falls within this subsection if the repayment causes any SI relief attributable to that person's shares in the social enterprise to be withdrawn or reduced by virtue of—
- (a) section 257QE(2)(a) (receipt of value by virtue of repayment of investments etc), or
 - (b) section 257R (disposal of whole or part of the investment).
- (6) A repayment is treated as having the effect mentioned in subsection (5)(a) if it would have that effect were it not an insignificant receipt; and here “insignificant receipt” is to be read in accordance with section 257QA(1).
- (7) A repayment is to be ignored, for the purposes of this section, to the extent to which SI relief attributable to any shares has already been withdrawn or reduced on its account.
- (8) In this section and sections 257QK to 257QP—
- (a) “repayment” means a repayment, redemption, repurchase or payment mentioned in subsection (1)(a) or (b), and
 - (b) references to a subsidiary of the social enterprise are references to a company which at any time in the longer applicable period is a 51% subsidiary of the social enterprise (whether or not it is such a subsidiary at the time of the repayment).

257QK Insignificant payments ignored for the purposes of section 257QJ

- (1) A repayment is ignored for the purposes of section 257QJ if both—
- (a) the market value of the shares to which it relates (“the target shares”) immediately before the event occurs, and
 - (b) the amount received by the member in question,
- are insignificant in relation to the market value of the remaining issued share capital of the social enterprise, or (as the case may be) the subsidiary, immediately after the event occurs.
- This is subject to subsection (3).
- (2) For the purposes of subsection (1) it is to be assumed that the target shares are cancelled at the time the repayment is made.
- (3) Subsection (1) does not apply if repayment arrangements are in existence at any time in the period—
- (a) beginning 12 months before the investment date, and

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- (b) ending at the end of the investment date.
- (4) For this purpose “repayment arrangements” means arrangements which provide—
 - (a) for a repayment by the social enterprise or any subsidiary of the social enterprise (whether or not it is such a subsidiary at the time the arrangements are made), or
 - (b) for anyone to be entitled to such a repayment, at any time in the longer applicable period.

257QL Amount of repayments etc if there is more than one issue of shares

- (1) This section applies if, in relation to the same repayment, section 257QJ(2) applies to SI relief attributable to two or more issues of shares.
- (2) Section 257QJ(3) has effect in relation to the shares included in each of those issues as if the amount referred to as A were reduced by multiplying it by the fraction—

IT

where—

I is the amount on which SI relief was obtained by individuals in respect of shares which are included in the issue and to which SI relief is or, but for section 257QJ(2)(b), would be attributable, and

T is the total of that amount and the corresponding amount or amounts in respect of the other issue or issues.

257QM Single issue affecting more than one individual

- (1) This section applies if, in relation to the same repayment, section 257QJ(2) applies to SI relief attributable to shares held by two or more individuals.
- (2) Section 257QJ(3) has effect in relation to each individual as if the amount referred to as A were reduced by multiplying it by the fraction—

IT

where—

I is the amount on which the individual obtains SI relief in respect of the shares to which SI relief is or, but for section 257QJ(2)(b), would be attributable, and

T is the total of that amount and the corresponding amount or amounts on which the other individual or individuals obtain SI relief in respect of such shares.

257QN Single issue treated as made partly in previous tax year

- (1) This section applies if—
 - (a) section 257QJ(2) applies to SI relief attributable to shares held by an individual, and
 - (b) part of the issue of shares has been treated as issued to the individual in a previous tax year for the purposes of section 257JA(1) and (2).
- (2) This subsection explains how the calculation under section 257QJ(3) is to be made.

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Step 1 Apportion the amount referred to as A between the tax year in which the shares were issued and the previous tax year by multiplying that amount by the fraction—

IT

where—

I is the amount on which the individual obtains SI relief in respect of the shares treated as issued in the tax year in question, and

T is the total of that amount and the corresponding amount in respect of the shares treated as issued in the other tax year.

Step 2 In relation to each of the amounts (“A1” and “A2”) so apportioned to the two tax years, calculate the amounts (“X1” and “X2”) that would be given by the formula if there were separate issues of shares in those tax years. In calculating amounts X1 and X2, apply section 257QO if appropriate but do not apply section 257QL or 257QM.

Step 3 Add amounts X1 and X2 together. The result is the required amount.

257QO Maximum relief not obtained for share issue

- (1) This section applies if section 257QJ(2) applies to SI relief attributable to shares held by the investor and—
- (a) the amount of the reduction (“D”) in the investor's liability to income tax for any tax year in respect of the shares, is less than
 - (b) the amount given by—

$I \times R$

where—

I is the amount on which the investor claims SI relief in respect of the investment, and

R is the SI rate for the tax year for which the SI relief was given.

- (2) Section 257QJ(3) has effect as if the amount referred to as A were reduced by multiplying it by the fraction—

$DI \times R$

- (3) If the amount of SI relief attributable to any of the shares has been reduced before the SI relief was obtained, the amount referred to in subsections (1) and (2) as D is to be treated for the purposes of those subsections as the amount it would have been without that reduction.
- (4) Subsection (3) does not apply to a reduction of SI relief by virtue of section 257N(5) (attribution of SI relief where there is a corresponding issue of bonus shares).

257QP Repayment of authorised minimum within 12 months

- (1) This section applies if—
- (a) a company issues share capital (“the original shares”) of nominal value equal to the authorised minimum (within the meaning of the Companies Act 2006)

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- for the purposes of complying with section 761 of that Act (public company: requirement as to minimum share capital), and
- (b) the registrar of companies issues the company with a certificate under that section.
- (2) Section 257QJ(2) does not apply in relation to any redemption of the original shares within 12 months of the date on which they were issued.]

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