Status: *Point in time view as at 06/04/2018.*
Changes to legislation: *There are currently no known outstanding effects for the Finance Act 2018, SCHEDULE 4. (See end of Document for details)*

SCHEDULES

SCHEDULE 4 U.K.

Section 16

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

(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

I1 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)**

Maximum amount raised annually by knowledge-intensive company

2 (1) Section 173A of ITA 2007 (the maximum amount raised annually through risk finance investments requirement for EIS relief) is amended as follows.

(2) In subsection (1), for "must not exceed £5 million" substitute "must not exceed—

(a) if the company is a knowledge-intensive company at that date (see section 252A and subsection (5A)), £10 million, and

(b) in any other case, £5 million."

(3) After subsection (5) insert—

"(5A) 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.""

Commencement Information

I2 Sch. 4 para. 2 in force at 6.4.2018 for the purposes of the amendments made by that paragraph by S.I. 2018/931, **reg. 3(a)**

3 (1) Section 292A of ITA 2007 (the maximum amount raised annually through risk finance investments requirement for VCT relief) is amended as follows.

(2) In subsection (1), for "must not exceed £5 million" substitute "must not exceed—

(a) if the company is a knowledge-intensive company at that date (see section 331A and subsection (6A)), £10 million, and

(b) in any other case, £5 million."

(3) After subsection (6) insert—

"(6A) If the relevant company began to carry on a trade less than three years before the date the relevant holding is issued, section 331A as it applies for the purposes of this section has effect with the substitution of the following subsections for subsections (3) to (5A)—

"(3) 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.

(4) 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.

(5) In subsections (3) and (4)—

"relevant operating costs" means—

(a) if the relevant company is a single company at the applicable time, the operating costs of that company, and

(b) if the relevant company is a parent company at the applicable time, the sum of—

(i) the operating costs of the relevant company, and

(ii) the operating costs of each company which is a qualifying subsidiary of the relevant 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 relevant company;

"the relevant three succeeding years" means the three consecutive years the first of which begins with the date the relevant holding is issued.""

Commencement Information

I3 Sch. 4 para. 3 in force at 6.4.2018 for the purposes of the amendments made by that paragraph by S.I. 2018/931, **reg. 3(b)**

4 In section 297B of ITA 2007 (the proportion of skilled employees requirement for VCT relief), in subsection (2)(a), after "sections" insert " 292A, ".

Commencement Information

I4 Sch. 4 para. 4 in force at 6.4.2018 for the purposes of the amendments made by that paragraph by S.I. 2018/931, **reg. 3(b)**

Initial investing period: permitted age of knowledge-intensive company

5 In section 175A of ITA 2007 (the permitted maximum age condition for EIS relief), in paragraph (a) of subsection (2), for "beginning with the relevant first commercial sale," substitute "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),".

Commencement Information

I5 Sch. 4 para. 5 in force at 6.4.2018 for the purposes of the amendments made by that paragraph by S.I. 2018/931, **reg. 3(a)**

6 After section 252A of ITA 2007 insert—

"252B Knowledge-intensive company reaching turnover of £200,000

(1) This section has effect for the purposes of section 175A(2)(a)(ii) (alternative initial investing period in case of knowledge-intensive company).

(2) Where—

(a) the annual turnover of the issuing company in relation to an accounting period (see subsection (3)) is £200,000 or more, and

(b) the annual turnover for the company in relation to each previous accounting period is less than £200,000,

the company is treated as reaching an annual turnover of £200,000 or more by reference to the specified date (see subsection (4)).

(3) The annual turnover in relation to an accounting period is—

(a) the turnover for that accounting period (if the accounting period is for 12 months), or

(b) the turnover for the period of 12 months ending when that accounting period ends (if not).

(4) The specified date is—

(a) in the case of an accounting period of 12 months or less, the last day of that accounting period;

(b) in the case of an accounting period of more than 12 months, the last day of the period of 12 months beginning when that accounting period begins.

(5) The turnover of the issuing company for a period ("the period") is treated for the purposes of this section as including the relevant turnover of any company that is a member of the same group as the issuing company during the whole or any part of the period (a "group company").

(6) The relevant turnover of a group company is—

(a) its turnover for the period, if the group company is a member of the same group as the issuing company for the whole of the period;

(b) if the group company is a member of the same group as the issuing company for part of the period, its turnover for that part of the period.

(7) Any necessary apportionments of turnover are to be made, on a time basis according to the respective lengths of the periods in question, for the purposes of subsections (3)(b) and (6).

(8) In this section "turnover" has the meaning given by section 474(1) of the Companies Act 2006 and is to be determined by reference to—

(a) the accounts of the company, and

(b) amounts recognised for accounting purposes."

Commencement Information

I6 Sch. 4 para. 6 in force at 6.4.2018 for the purposes of the amendments made by that paragraph by S.I. 2018/931, **reg. 3(a)**

7 In section 280C of ITA 2007 (the permitted maximum age condition for VCT relief), in paragraph (a) of subsection (3), for "beginning with the relevant first commercial sale," substitute "beginning with—

(i) the relevant first commercial sale, or

(ii) if the relevant company so elects, the date by reference to which that company is treated as reaching an annual turnover of £200,000 (see section 331B),".

Commencement Information

I7 Sch. 4 para. 7 in force at 6.4.2018 for the purposes of the amendments made by that paragraph by S.I. 2018/931, **reg. 3(b)**

8 In section 294A of ITA 2007 (the permitted company age requirement for VCT relief), in paragraph (a) of subsection (2), for "beginning with the relevant first commercial sale," substitute "beginning with—

(i) the relevant first commercial sale, or

(ii) if the relevant company so elects, the date by reference to which that company is treated as reaching an annual turnover of £200,000 (see section 331B),".

Commencement Information

I8 Sch. 4 para. 8 in force at 6.4.2018 for the purposes of the amendments made by that paragraph by S.I. 2018/931, **reg. 3(b)**

9 After section 331A of ITA 2007 insert—

"331B Knowledge-intensive company reaching turnover of £200,000

(1) This section has effect for the purposes of sections 280C(3)(a)(ii) and 294A(2)(a)(ii) (alternative initial investing period in case of knowledge-intensive company).

(2) Where—

(a) the annual turnover of the relevant company in relation to an accounting period (see subsection (3)) is £200,000 or more, and

(b) the annual turnover for the company in relation to each previous accounting period is less than £200,000,

the company is treated as reaching an annual turnover of £200,000 or more by reference to the specified date (see subsection (4)).

(3) The annual turnover in relation to an accounting period is—

(a) the turnover for that accounting period (if the accounting period is for 12 months), or

(b) the turnover for the period of 12 months ending when that accounting period ends (if not).

(4) The specified date is—

(a) in the case of an accounting period of 12 months or less, the last day of that accounting period;

(b) in the case of an accounting period of more than 12 months, the last day of the period of 12 months beginning when that accounting period begins.

(5) The turnover of the relevant company for a period ("the period") is treated for the purposes of this section as including the relevant turnover of any company that is a member of the same group as the relevant company during the whole or any part of the period (a "group company").

(6) The relevant turnover of a group company is—

(a) its turnover for the period, if the group company is a member of the same group as the relevant company for the whole of the period;

(b) if the group company is a member of the same group as the relevant company for part of the period, its turnover for that part of the period.

(7) Any necessary apportionments of turnover are to be made, on a time basis according to the respective lengths of the periods in question, for the purposes of subsections (3)(b) and (6).

(8) In this section "turnover" has the meaning given by section 474(1) of the Companies Act 2006 and is to be determined by reference to—

(a) the accounts of the company, and

(b) amounts recognised for accounting purposes."

Commencement Information

I9 Sch. 4 para. 9 in force at 6.4.2018 for the purposes of the amendments made by that paragraph by S.I. 2018/931, **reg. 3(b)**

Commencement

10 (1) The amendments made by this Schedule come into force in accordance with provision made by the Treasury by regulations.

(2) Regulations under sub-paragraph (1)—

(a) may make different provision for different purposes;

(b) may provide for any of those amendments to have effect in relation to shares issued, or investments made, on or after a day that is—

(i) earlier than the day on which the regulations are made, but

(ii) not earlier than 6 April 2018.