



Income Tax Act 2007

2007 CHAPTER 3

PART 5

ENTERPRISE INVESTMENT SCHEME

CHAPTER 3

GENERAL REQUIREMENTS

The requirements

[^{F1}173A The maximum amount raised annually through risk [^{F2}finance investments] requirement

- (1) The total amount of relevant investments made in the issuing company in the year ending with the date the relevant shares are issued [^{F3}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.]
- [^{F4}(2) In subsection (1), the reference to relevant investments made in the issuing company includes—
- (a) a relevant investment made in any company that has at any time in the year mentioned there been a 51% subsidiary of the issuing company (including investments made in such a company before it became such a subsidiary but, if it is not such a subsidiary at the end of that year, not those made after it last ceased to be such a subsidiary),
 - (b) any other relevant investment made in a company to the extent that the money raised by the investment has been employed for the purposes of a trade carried on by another company that has at any time in that year been a 51% subsidiary of the issuing company (but, if it is not such a subsidiary at the end of that year,

Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Income Tax Act 2007. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) [View outstanding changes](#)

ignoring any money so employed after it last ceased to be such a subsidiary),
 and

- (c) any other relevant investment made in a company if—
- (i) the money raised by the investment has been employed for the purposes of a trade carried on by that company or another person, and
 - (ii) in that year, after the investment was made, the trade (or a part of it) became a relevant transferred trade (see subsection (2B)).

(2A) If only a proportion of the money raised by a relevant investment is employed for the purposes of a trade which becomes a relevant transferred trade, the reference in subsection (2)(c) to the relevant investment is to be read as a reference to the corresponding proportion of that investment.

(2B) Where—

- (a) in the year mentioned in subsection (1) a trade is transferred—
- (i) to the issuing company,
 - (ii) to a company that has at any time during that year been a 51% subsidiary of the issuing company, or
 - (iii) to a partnership of which a company within sub-paragraph (i) or (ii) is a member,

(including where it is transferred to a company within sub-paragraph (ii), or a partnership of which such a company is a member, in that year before the company became such a subsidiary but, if the company is not such a subsidiary at the end of that year, not where it is transferred to such a company or partnership after the company last ceased to be such a subsidiary), and

- (b) that trade or a part of it was previously (at any time) carried on by another person,

the trade or part mentioned in paragraph (b) becomes a “relevant transferred trade” at the time it is transferred as mentioned in paragraph (a).]

(3) A “relevant investment” is made in a company if—

- (a) an investment (of any kind) in the company is made by a VCT, or
- (b) the company issues shares (money having been subscribed for them), and (at any time) the company provides—

- (i) a compliance statement under section 205, or

[a compliance statement under section 257ED (seed enterprise ^{F5}(ia) investment scheme).]

- ^{F6}(ii)

in respect of the shares^{F7}, or

^{F8}(ba) [an investment is made in the company and (at any time) the company provides a compliance statement under section 257PB (tax relief for social investments) in respect of the investment, or]

- (c) any other investment is made in the company which is aid received by it pursuant to a measure approved by the European Commission [^{F9}before IP completion day] as compatible with Article 107 of the Treaty on the Functioning of the European Union in accordance with the principles laid down in the [^{F10}European Commission's Guidelines on State aid to promote risk finance investment][^{F11}(as those guidelines had effect at the time of the approval)].]

(4) An investment within subsection (3)(b) is regarded as made when the shares are issued.

Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Income Tax Act 2007. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) [View outstanding changes](#)

[Section 257KB applies in determining for those purposes when an investment within ^{F12}(5) subsection (3)(ba) is made as it applies for the purposes of Part 5B (tax relief on social investments).]

[If the issuing company began to carry on a trade less than three years before the date ^{F13}(5A) 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.”]

[For the purposes of this section—

^{F14}(6) (a) references to a trade include a part of a trade (and references to the carrying on of a trade are to be construed accordingly);

(b) when determining the amount of money raised by a relevant investment which has been employed for the purposes of a trade such apportionments are to be made as are just and reasonable.

(7) In this section “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, and

(c) preparing to carry on a trade.]]

Textual Amendments

F1 S. 173A inserted (19.7.2007) by [Finance Act 2007 \(c. 11\)](#), [Sch. 16 para. 5\(3\)](#) (with [Sch. 16 para. 5\(5\)\(6\)8](#))

Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Income Tax Act 2007. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

- F2** Words in s. 173A heading substituted (with effect in accordance with Sch. 5 para. 23 of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), **Sch. 5 para. 7(6)**
- F3** Words in s. 173A(1) substituted (6.4.2018) by [Finance Act 2018 \(c. 3\)](#), **Sch. 4 paras. 2(2)**, 10; S.I. 2018/931, reg. 3(a)
- F4** S. 173A(2)-(2B) substituted for s. 173A(2) (with effect in accordance with Sch. 5 para. 23 of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), **Sch. 5 para. 7(2)**
- F5** S. 173A(3)(b)(ia) inserted (17.7.2012) (with effect in accordance with Sch. 6 para. 24(1) of the amending Act) by [Finance Act 2012 \(c. 14\)](#), **Sch. 6 para. 12**
- F6** S. 173A(3)(b)(ii) omitted (17.7.2012) (with effect in accordance with Sch. 7 para. 22 of the amending Act) by virtue of [Finance Act 2012 \(c. 14\)](#), **Sch. 7 para. 7(3)(a)**
- F7** S. 173A(3)(c) and preceding word inserted (17.7.2012) (with effect in accordance with Sch. 7 para. 22 of the amending Act) by [Finance Act 2012 \(c. 14\)](#), **Sch. 7 para. 7(3)(b)**
- F8** S. 173A(3)(ba) 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. 7(3)(a)**
- F9** Words in s. 173A(3)(c) inserted (31.12.2020) by [The Taxes \(State Aid\) \(Amendments\) \(EU Exit\) Regulations 2020 \(S.I. 2020/1499\)](#), regs. 1, **4(2)(a)**
- F10** Words in s. 173A(3)(c) substituted (with effect in accordance with Sch. 5 para. 23 of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), **Sch. 5 para. 7(3)(b)**
- F11** Words in s. 173A(3)(c) substituted (31.12.2020) by [The Taxes \(State Aid\) \(Amendments\) \(EU Exit\) Regulations 2020 \(S.I. 2020/1499\)](#), regs. 1, **4(2)(b)**
- F12** S. 173A(5) 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. 7(4)**
- F13** S. 173A(5A) inserted (6.4.2018) by [Finance Act 2018 \(c. 3\)](#), **Sch. 4 paras. 2(3)**, 10; S.I. 2018/931, reg. 3(a)
- F14** S. 173A(6)(7) 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. 7(5)**

Modifications etc. (not altering text)

- C1** S. 173A(3)(4) applied by 1992 c. 12, Sch. 5B para. 1(6) (as inserted (19.7.2007) by [Finance Act 2007 \(c. 11\)](#)), **Sch. 16 para. 7(2)(b)**

Changes to legislation:

There are outstanding changes not yet made by the legislation.gov.uk editorial team to Income Tax Act 2007. Any changes that have already been made by the team appear in the content and are referenced with annotations.

[View outstanding changes](#)

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.)