



Income Tax Act 2007

2007 CHAPTER 3

PART 5

ENTERPRISE INVESTMENT SCHEME

CHAPTER 6

WITHDRAWAL OR REDUCTION OF EIS RELIEF

Disposals

209 Disposal of shares

- (1) This section applies if—
 - (a) the investor disposes of any of the relevant shares,
 - (b) the disposal takes place before period A ends, and
 - (c) EIS relief is attributable to the shares.
- (2) If the disposal is not made by way of a bargain made at arm's length, the EIS relief attributable to the shares must be withdrawn.
- (3) If the disposal is made by way of a bargain made at arm's length, the EIS relief attributable to the shares must—
 - (a) if it is greater than the amount given by the formula set out below, be reduced by that amount, and
 - (b) in any other case, be withdrawn.

^{F1}The formula is—

$$R \times \text{EISR}$$

where—

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R is the amount or value of the consideration received by the investor for the shares, and
 [^{F2}EISR is the [^{F3}EIS original rate].]

- (4) This section does not apply to a disposal of shares to which an amount of EIS relief is attributable if—
- (a) the disposal was made by an individual (“A”) to another individual (“B”), and
 - (b) A and B were married to, or were civil partners of, each other and living together at the time of the disposal.
- (5) Section 246 contains rules for determining which shares of any class are treated as disposed of for the purposes of this section if the investor disposes of some but not all the shares of that class which are held by the investor.

[^{F4}(6) Nothing in this section applies to a disposal of shares occurring as a result of the investor’s death.]

Textual Amendments

- F1** Formula in s. 209(3) amended (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. 14\(a\)](#)
- F2** Words in s. 209(3) 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. 14\(b\)](#)
- F3** Words in s. 209(3) 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\(3\)\(a\)\(6\); S.I. 2011/2459, art. 2](#)
- F4** S. 209(6) inserted (with effect in accordance with Sch. 7 para. 22 of the amending Act) by [Finance Act 2012 \(c. 14\), Sch. 7 para. 17](#)

210 Cases where maximum EIS relief not obtained

- (1) If the investor's liability to income tax is reduced for any tax year in respect of any issue of shares and—
- (a) the amount of the reduction (“A”), is less than
 - (b) the amount (“B”) which is equal to tax at the [^{F5}EIS original rate] on the amount on which the investor claims EIS relief in respect of the shares,
- section 209(3) has effect in relation to a disposal of any of the shares as if the amount or value referred to as “R” were reduced by multiplying it by the fraction—

$$\frac{A}{B}$$

- (2) If section 158(1) and (2) applies in the case of any issue of shares as if part of the issue had been issued in a previous tax year, subsection (1) has effect as if that part and the remainder were separate issues of shares (and that part had been issued on a day in the previous tax year).

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- (3) If the amount of EIS relief attributable to any of the relevant shares has been reduced before the EIS relief was obtained, the amount referred to in subsection (1) as A is to be treated for the purposes of that subsection as the amount that it would have been without that reduction.
- (4) Subsection (3) does not apply to a reduction of EIS relief by virtue of section 201(4) (attribution of EIS relief if there is a corresponding issue of bonus shares).

Textual Amendments

- F5** Words in s. 210(1)(b) 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\(3\)\(b\)\(6\)](#); [S.I. 2011/2459](#), art. 2

211 Call options

- (1) This section applies if the investor grants an option which, if exercised, would bind the investor to sell any of the relevant shares.
- (2) The grant of the option is treated for the purposes of section 209 as a disposal of the shares to which the option relates.
- (3) Nothing in this section prejudices section 177 (no pre-arranged exits).

212 Put options

- (1) This section applies if, at any time in period A, a person grants the investor an option which, if exercised, would bind the grantor to purchase any of the relevant shares.
- (2) Any EIS relief attributable to the shares to which the option relates must be withdrawn.
- (3) For the purposes of subsection (2) the shares to which an option relates are those which, if—
 - (a) the option were exercised immediately after the grant, and
 - (b) any shares in the issuing company acquired by the investor after the grant were disposed of immediately after being acquired,would be treated for the purposes of section 209 as disposed of in pursuance of the option.

Changes to legislation:

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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.)