



Income Tax Act 2007

2007 CHAPTER 3

[^{F1}PART 5A

SEED ENTERPRISE INVESTMENT SCHEME

[^{F1}CHAPTER 2

THE INVESTOR

Textual Amendments

- F1** Pt. 5A 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. 1](#)

Introduction

257B Overview of Chapter

The investor is a qualifying investor in relation to the relevant shares if the requirements of this Chapter are met as to—

- (a) no employee investors (see section 257BA),
- (b) no substantial interest in the issuing company (see section 257BB),
- (c) no related investment arrangements (see section 257BC),
- (d) no linked loans (see section 257BD), and
- (e) no tax avoidance (see section 257BE).

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The requirements

257BA The no employee investors requirement

- (1) Neither the investor nor an associate of the investor may, at any time during period B, be an employee of the issuing company or of any qualifying subsidiary of that company.
- (2) For this purpose a person is not to be treated as an employee of the issuing company, or of any qualifying subsidiary of that company, at any time when the person is a director of that company.

257BB The no substantial interest in the issuing company requirement

The investor must not have a substantial interest in the issuing company at any time during period A.

257BC The no related investment arrangements requirement

The investor (“P”) must not subscribe for the relevant shares as part of an arrangement which provides for another person to subscribe for shares in another company in which P, or any other individual who is party to the arrangement, has a substantial interest.

257BD The no linked loan requirement

- (1) No linked loan is to be made by any person, at any time in period A, to the investor or an associate of the investor.
- (2) In this section “linked loan” means any loan which—
 - (a) would not have been made, or
 - (b) would not have been made on the same terms,
 if the investor had not subscribed for the relevant shares, or had not been proposing to do so.
- (3) References in this section to the making by any person of a loan to the investor or an associate of the investor include a reference—
 - (a) to the giving by that person of any credit to the investor or any associate of the investor, and
 - (b) to the assignment to that person of a debt due from the investor or any associate of the investor.

257BE The no tax avoidance requirement

The relevant shares must be subscribed for by the investor for genuine commercial reasons, and not as part of a scheme or arrangement the main purpose or one of the main purposes of which is the avoidance of tax.

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Meaning of substantial interest in a company

257BF Persons with a substantial interest in a company

- (1) An individual has a substantial interest in a company if the individual directly or indirectly possesses or is entitled to acquire more than 30% of—
 - (a) the ordinary share capital of the company or any subsidiary of the company,
 - (b) the issued share capital of the company or any such subsidiary, or
 - (c) the voting power in the company or any such subsidiary.
- (2) An individual has a substantial interest in a company if the individual directly or indirectly possesses or is entitled to acquire such rights as would—
 - (a) in the event of the winding up of the company or any subsidiary of the company, or
 - (b) in any other circumstances,entitle the individual to receive more than 30% of the assets of the company or subsidiary (“the company in question”) which would then be available for distribution to equity holders of the company in question.
- (3) For the purposes of subsection (2)—
 - (a) the persons who are equity holders of the company in question, and
 - (b) the percentage of the assets of the company in question to which the individual would be entitled,are determined in accordance with Chapter 6 of Part 5 of CTA 2010.
- (4) In making that determination—
 - (a) references in section 166 of that Act to company A are to be read as references to an equity holder, and
 - (b) references in that section to a winding up are to be read as including a reference to any other circumstances in which assets of the company in question are available for distribution to its equity holders.
- (5) An individual does not have a substantial interest in a company merely because one or more shares in the company are held by the individual or by an associate of the individual, at a time when the company—
 - (a) has not issued any shares other than subscriber shares, and
 - (b) has not begun to carry on, or make preparations for carrying on, any trade or business.
- (6) An individual has a substantial interest in a company if the individual has control of the company or any subsidiary of that company.
- (7) For the purposes of this section—
 - (a) an individual is treated as entitled to acquire anything which the individual is entitled to acquire at a future date or will at a future date be entitled to acquire, and
 - (b) there is attributed to any individual any rights or powers of any other person who is an associate of the individual.
- (8) In this section “subsidiary”, in relation to a company, means a company which at any time in period A is a 51% subsidiary of the company, whether or not it is such a

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subsidiary while the individual concerned has, or is entitled to acquire, such capital, voting power, rights or control as are mentioned in this section.]

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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.)