



Investors' Relief

Summary of legislation

Investors' Relief (IR) applies to external investors in unlisted trading companies (or holding companies of trading groups), for newly issued ordinary shares acquired for new consideration on or after 17 March 2016. The investment must be held for at least three years from 6 April 2016. A £10 million lifetime IR cap will apply *in addition* to the lifetime Entrepreneurs' Relief (ER) allowance.

The conditions for ER on a disposal of shares require the individual to be an officer or employee, and hold at least 5 percent of the ordinary share capital of the company with those shares giving the individual at least 5 percent of the voting rights.

The new rules for IR, which apply to investors who are neither officers nor employees, enable investors in unlisted trading companies to access the 10 percent rate as long as those shares are subscribed for on or after 17 March 2016, held continuously for three years, and disposed of on or after 6 April 2019. There is no requirement to hold 5 percent of the shares or voting rights. As with ER, there will be a £10 million lifetime limit for the relief and this is in addition to the £10 million ER allowance for employees.

The rules will also apply to qualifying beneficiaries of trusts.

Conditions are included to ensure that the relief only applies to new shares issued for genuine commercial purposes, and will also be restricted so that it will not apply to investors where those connected with the investor are officers or employees of the company.

Timing

The new relief will apply to investors who subscribe for newly issued shares in unlisted trading companies on or after 17 March 2016.

Our view

This is a welcome new relief that should help to attract investment into businesses without the need for the officer or director requirement to be met, which is often not appropriate from the perspective of the investor or the company.

Although the Enterprise Investment Scheme (EIS) and Seed Enterprise Investment Scheme (SEIS) provide existing tax incentives for investors to invest in qualifying businesses, the introduction of IR allows companies to raise additional funds outside these schemes, as well as potentially being attractive to investors who have exceeded the limits for EIS and SEIS.



Contact

Greg Limb

Partner

T: +44 (0)20 7694 5401
E: greg.limb@kpmg.co.uk

Craig Rowlands

Senior Manager

T: +44 (0)20 7311 4682
E: craig.rowlands@kpmg.co.uk

Sarah Charles

Manager

T: +44 (0)121 609 5822
E: sarah.charles@kpmg.co.uk