HMRC - VCM16060 - EIS: General Requirements: Meaning Of 'Knowledge-Intensive Company'

ITA07/S252A

If a company is a knowledge-intensive company, the thresholds of certain requirements a company must meet are higher than for other companies

Investments made on or after 15 November 2015

The number of full time equivalent employees must be less than 500 (instead of 250)

The total investment limit is £20 million (instead of £12 million)

The basic age limit (condition A) by which the initial relevant investment must be made is 10 years after the company’s first commercial sale (instead of 7 years).

Investments made on or after 6 April 2018

The maximum amount of EIS investments an individual may make in a tax year is £2 million (instead of £1 million) so long as any amount over £1 million is invested in one or more knowledge-intensive companies (VCM [s158])

The maximum amount of relevant investments a company may raise in any 12 month period is £10 million (instead of £5 million) (VCM[s173A])

Additionally, for investments made on or after 6 April 2018, a knowledge-intensive company may use a different method to determine the start of the 10 year period which is used to specify the end of the company’s initial investing period. Instead of using the date of first commercial sale (or date of commencement of trading) (see VCM8151) the company can use the date on which its annual turnover reached £200,000.

To be a knowledge-intensive company, at the time of the investment the company must meet:

at least one of the two operating costs conditions and

at least one of the innovation condition and the skilled employees condition

The operating costs conditions are extended to start-up companies for investments made on or after 6 April 2018, when determining the maximum amount of investments an individual may make under the EIS and the maximum amount of relevant investments a company may receive in a 12 month period.

Where a company is a knowledge-intensive company because it depends upon meeting the skilled employees condition, it must continue to meet that condition for at least 3 years following the date the investment was made.

See VCM8162 to VCM8168 for more details of the definition of a knowledge-intensive company.

Previous page