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Venture Capital Trusts Statistics

December 2018



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Section 1: Introduction

About these statistics

This is a National Statistics publication produced by HM Revenue & Customs (HMRC) that provides statistics on Venture Capital Trusts (VCTs). For the first time, two previous publications are combined: Table 8.6 provides statistics on the amount of funds raised by VCTs and the number of VCTs, and contains the first officially published estimates for tax year 2017-18; Table 8.9 provides statistics on the number of investors and amount of investment claimed under the VCT schemes through Self-Assessment forms, and includes the first estimates for tax year 2016-17.

National Statistics are produced to professional standards set out in the Code of Practice for Statistics¹. They undergo regular Quality Assurance reviews and HMRC seek to engage users in their refinement and development to ensure they meet customers' needs.

The statistics used in Table 8.6 are based on publicly available internet sources and news announcements. As a result, these figures are outside the managerial control of HMRC and consequently classified as Official Statistics. However, they are published annually by HMRC as the current best indicators of the number of VCT funds and the amounts they raise.

Figures in this release refer to tax years; the tax year runs from 6th April in one year to 5th April in the next.

For more information on Official and National Statistics and governance of statistics produced by public bodies, please see the UK Statistics Authority website:

www.statisticsauthority.gov.uk

HMRC Official and National Statistics can be found on the internet at:

<https://www.gov.uk/government/organisations/hm-revenue-customs/about/statistics>

Policy background

The Venture Capital Trust (VCT) scheme, introduced in 1995, is one of four tax-based Venture Capital Schemes, the others being the Enterprise Investment Scheme (EIS), the Seed Enterprise Investment Scheme (SEIS) and Social Investment Tax Relief (SITR). VCTs raise funds for investments, normally annually, through new and/or top-up share issues to investors.

<https://www.gov.uk/government/statistics/venture-capital-trusts-statistics-introductory-note>

¹ <https://www.statisticsauthority.gov.uk/code-of-practice/>

What does this publication tell me?

This publication provides information regarding the number of Venture Capital Trusts (VCTs) operating each tax year and the amount of funds they raised. It also includes statistics on the size distribution of the amounts invested in VCTs by investors claiming income tax relief through Self Assessment. Due to the limited data available this information will not cover investors making Income Tax relief claims through other systems (e.g. PAYE) or not making any claims.

[Section 2](#) provides a statistical commentary on the figures and recent trends. [Section 3](#) provides background information including a link to an introductory note explaining in more detail the policy background and the key policy changes. This section also covers the data sources and methodology used to derive these statistics. [Annex A](#) contains the tables:

[Table 8.6](#) presents annual figures for 1995-96 to 2017-18 on:

- The amounts raised by Venture Capital Trusts (VCTs)
- The number of VCTs raising funds
- The number of existing VCTs managing funds

[Table 8.9](#) presents annual figures for 2014-15 to 2016-17 on:

- The distribution of investors claiming income tax relief on VCT investments;
- The distribution of amounts invested under the VCT scheme.

Who might be interested in these statistics?

This publication is likely to be of interest to policy makers in government, academics, research organisations, the media, Venture Capital associations, VCTs and investors in VCTs.

Section 2: Statistics and Commentary

2.1 Key Points

Funds raised by Venture Capital Trusts

- Venture Capital Trusts (VCTs) issued shares to the value of £745 million in 2017-18, a 30% increase from 2016-17 (£570 million) and the highest amount raised since 2005-06.
- The number of VCTs raising funds has been declining in recent years. However 2017-18 saw the first increase since 2013-14. In 2017-18 there were 43 VCTs which raised funds, up from 38 in 2016-17.
- The number of VCTs managing funds has fallen from 75 in 2016-17 to 70 in 2017-18.
- Since the introduction of VCTs in 1995 they have raised approximately £7.7 billion of funds.

VCT investors claiming Income Tax relief

- In 2016-17, VCT investors claimed Income Tax relief on £500 million of their investment, a £67 million (15%) increase compared with 2015-16.
- There were 15,120 VCT investors who claimed Income Tax relief in 2016-17, an increase of 13% from 2015-16.
- The majority of VCT investors tend to invest smaller amounts into VCT funds. In 2016-17, 41% of investors made a claim for an investment of £10,000 or less, and only 7% invested above £100,000.
- Amounts invested between £150,000 and £200,000 (the maximum amount allowed) accounted for over a quarter (28%) of the total amount of investment in 2016-17.

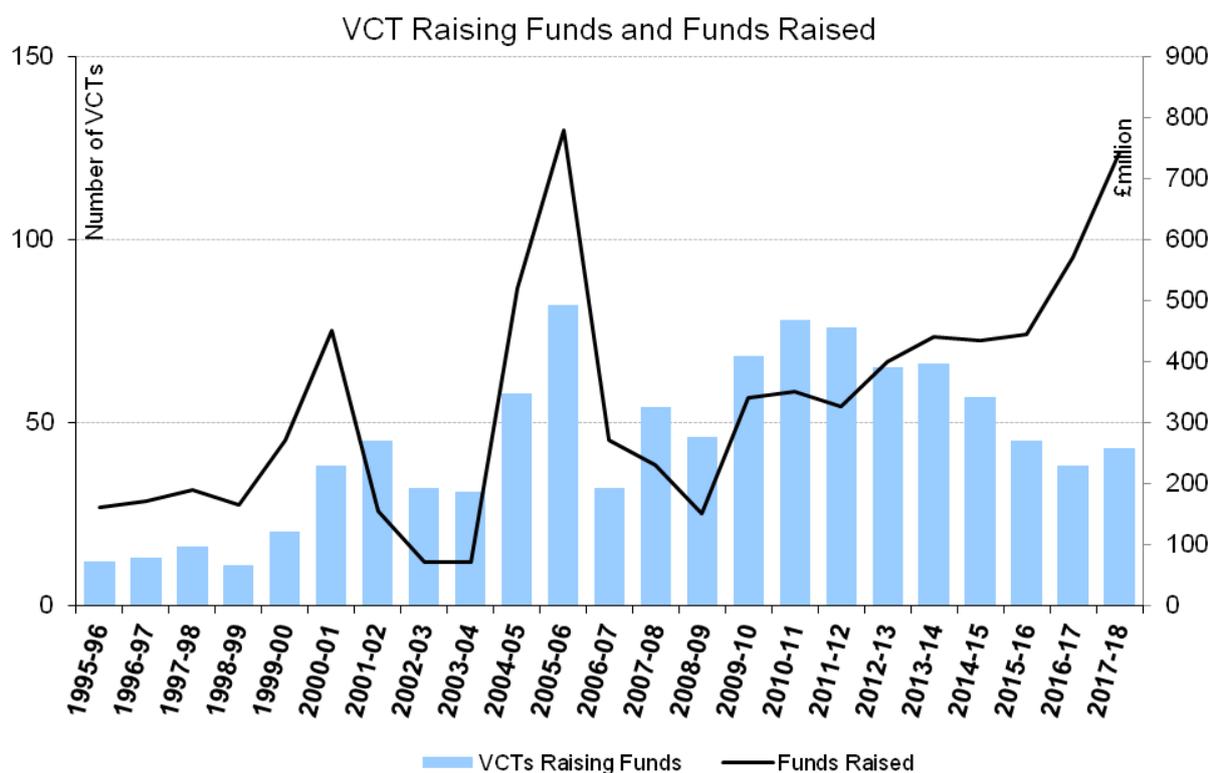
2.2 Venture Capital Trusts

[Table 8.6 in Annex A](#) presents the funds raised and number of Venture Capital Trusts.

2.2.1 Amount of funds raised and number of Venture Capital Trusts raising funds

Venture Capital Trusts (VCTs) have issued shares to the value of £745 million in 2017-18 which is 30% higher than in 2016-17 (£570 million).

Figure 1: Funds raised and number of VCTs raising funds by tax year (1995-96 to 2017-18)



The amount of funds raised by VCTs has been on a rising trend in recent years and has more than doubled since 2009-10. A rule change restricted enhanced share buy backs from April 2014. Enhanced share buy backs allowed VCT investors to sell their current shares to VCTs and re-invest in the same VCT at around the same time. It is likely this will have impacted on the levels of investment in 2014-15 and 2015-16. However, the amount of funds raised increased again in 2016-17 and 2017-18, which may reflect the growing attractiveness of VCTs relative to other investment possibilities. The Government’s Patient Capital Review consultation in summer 2017 may partly explain the increased fund-raising in 2017-18, as VCTs anticipated possible changes to the rules of the scheme.

The number of VCTs raising funds in 2017-18 rose to 43 from 38 in 2016-17. In the past, the amount of funds raised by VCTs and the number of VCTs raising funds has been closely linked. However, this has been less evident in recent years where similar amounts of funds have been raised by a smaller number of larger VCTs. Several VCTs have merged over the last few years to achieve economies of

scale. This trend has continued in 2017-18 as individual VCTs are raising more on average than all previous years despite the recent increase in the number of VCTs raising funds.

A rise in the income tax relief rate in 2004-05 from 20% to 40% was the likely driver of the increased investments as the amount of funds raised increased from £70 million in 2003-04 to £520 million in 2004-05; there was a corresponding increase in the number of VCTs raising funds. Both the number of VCTs raising funds and the amount of funds raised peaked in the following year (2005-06) when £780 million was raised by 82 VCTs.

A reduction in the income tax relief rate to 30% in 2006-07 was accompanied by a sharp fall in activity to £270 million raised by 32 VCTs, and activity remained relatively low until 2009-10. The amount raised by VCTs then gradually increased from £340 million (2009-10) to £440 million (2013-14). The amount remained fairly stable in 2014-15 and 2015-16, but 2016-17 saw a rise to £570 million raised by 38 VCTs and again to £745 million in 2017-18 by 43 VCTs.

The expansion of the VCT schemes from 2012-13² also encouraged the growth in funds raised in the last five years, despite a declining trend in the number of VCTs raising funds.

² From 6 April 2012, VCT qualifying holdings were extended to companies with fewer than 250 full time equivalent employees and gross assets of no more than £15million before investment and £16 million after investment. The annual investment limit for companies increased to £5 million.

2.2.2 Number of Venture Capital Trusts managing and raising funds

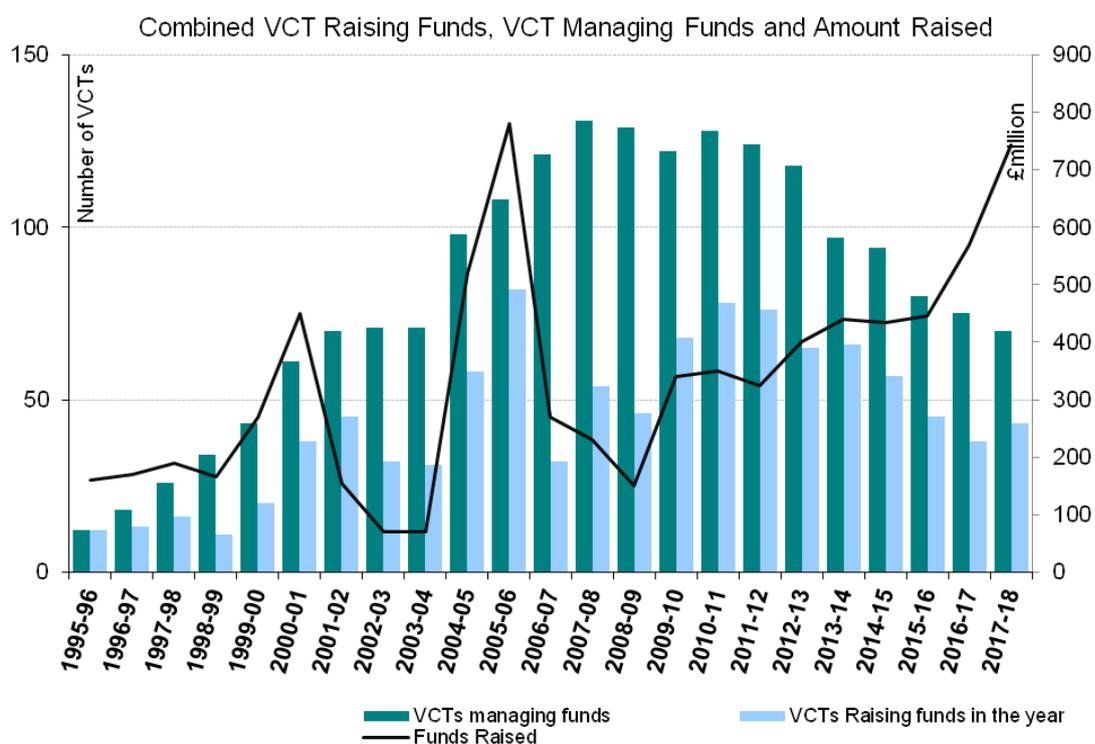
The number of VCTs managing funds in a given year includes the VCTs which raised funds from investors in that year and also the VCTs managing funds that had been raised in previous years.

The number of VCTs managing funds decreased from 75 in 2016-17 to 70 in 2017-18; of these, the number of VCTs raising funds rose from 38 in 2016-17 to 43 in 2017-18.

The number of VCTs managing funds increased from 12 in 1995-96 to a peak of 131 in 2007-08. Since 2007-08 the number of VCTs managing funds has generally been decreasing, dropping to 70 in 2017-18.

The highest proportion of VCTs raising funds occurred in 2005-06 with just over three-quarters of VCTs raising funds. A reduction in the rate of income tax relief in 2006-07 from 40% to 30% was reflected in the proportion of VCTs raising funds falling to just over a quarter.

Figure 2: Number of VCTs managing funds by tax year (1995-96 to 2017-18)



2.3 Venture Capital Trusts: Income tax relief

In 2016-17, VCT investors claimed Income Tax relief on £500 million of their investment, a £67 million (15%) increase compared to 2015-16 when there were claims on £433 million of investment. The number of investors increased by 13% to 15,120 in 2016-17. This information only covers claims made through Self-Assessment and will not cover investors making Income Tax relief claims through other systems (e.g. PAYE) or not making any claims.

[Table 8.9 in Annex A](#) presents the distribution of investors claiming Income Tax relief under the VCT scheme, and their amount of investment.

Total figures provided in Table 8.9 on the amount of investment on which Income Tax relief was claimed are not directly comparable with the figures on the amount of investment received by VCTs in a tax year shown in Table 8.6. A small amount of relief would be claimed through the PAYE system.

2.3.1 Proportion of investors claiming VCT relief by size of investment

The majority of investors tend to invest smaller amounts of money into VCT funds.

Figure 3 shows that, in 2016-17, 41% of VCT investors claimed tax relief under the VCT scheme for an investment of £10,000 or less; the largest group being the £5,000 to £10,000 group (18%). Only 7% of investors made a claim for an investment over £100,000.

Figure 3: Distribution of proportion of investors claiming VCT relief by size of investment (upper limit)

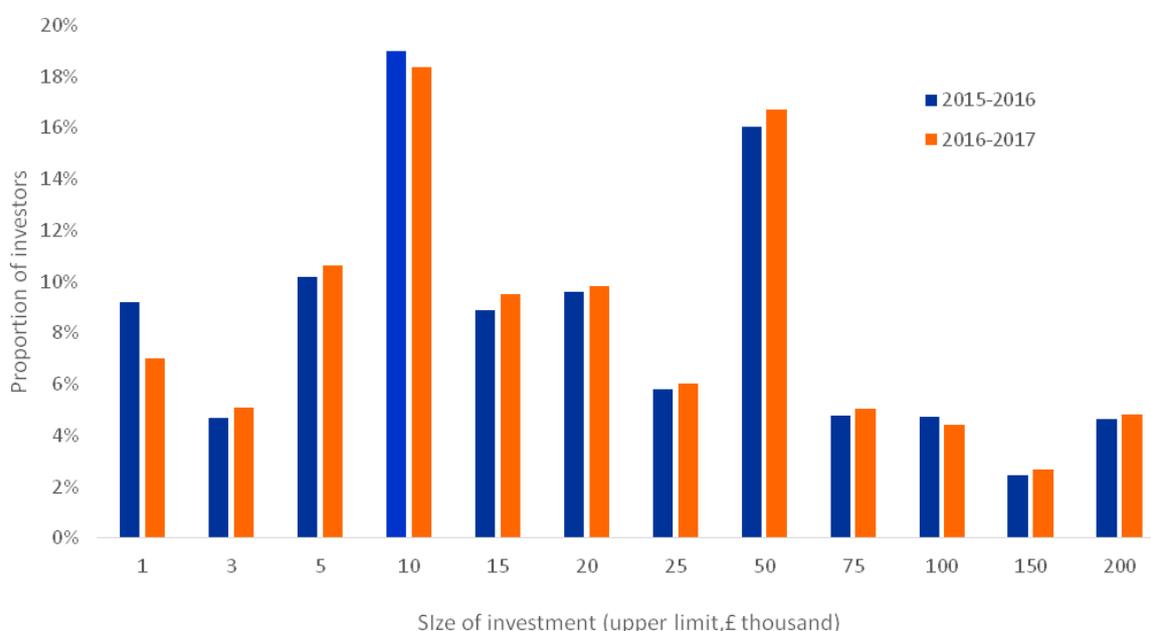
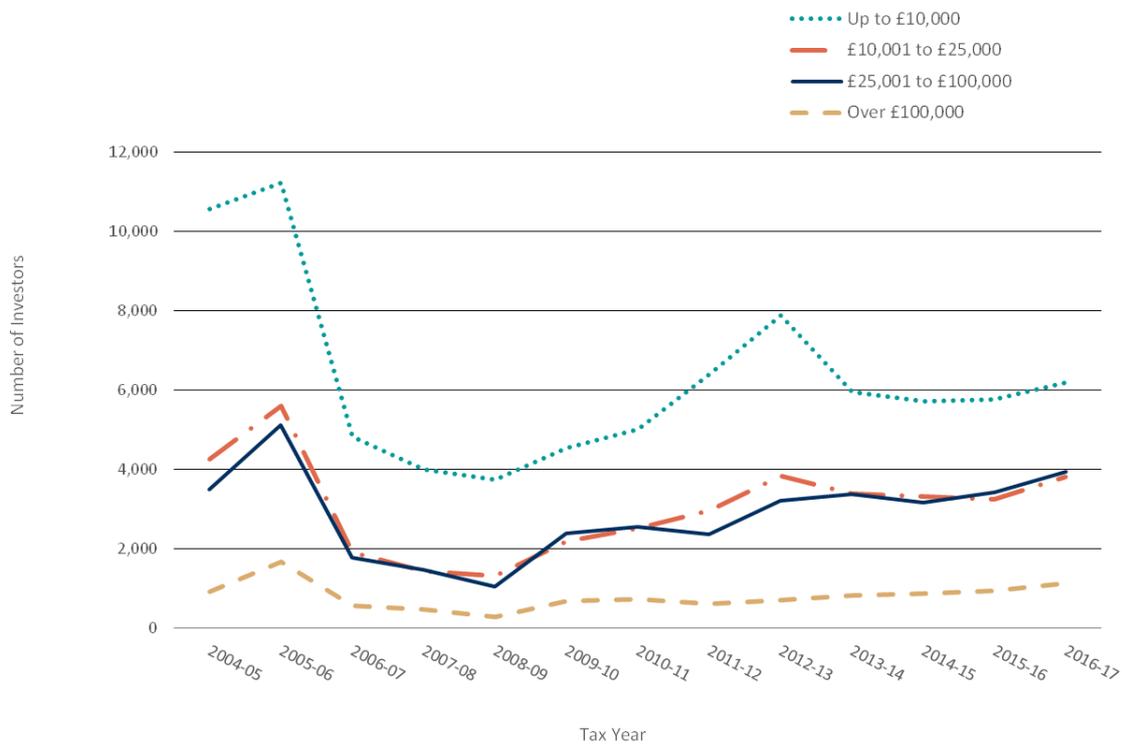


Figure 4 shows a time series of the distribution of the number of investors since the upper limits of VCT investment were raised to £200,000 in 2004-05. For this analysis, the investment size categories have been grouped into four bands: £0 to £10,000, over £10,000 to £25,000, over £25,000 to

£100,000, and over £100,000 to £200,000. For all years, those investing £10,000 or less have represented the largest group of investors, while those investing over £100,000 have been the smallest group.

Figure 4: Number of investors claiming VCT relief by size of investment (upper limit)



The peak year for all bands, based on the number of investors, was 2005-06. A reduction in the tax relief rate from 40% to 30% in 2006-07 saw a fall in VCT investment across all these investment size bands. Activity continued to fall until 2008-09, which represented a low point for each band. Since then there has been a steady increasing trend in the numbers for all bands. However, there was a peak in numbers investing smaller amounts in 2012-13.

2.3.2 Distribution of VCT investment by size of investment

The largest category of investment by amount in 2016-17 was investments between £150,000 and £200,000; investment in this category accounts for 28% of the total VCT investment, as seen in Figure 5.

Figure 5: Distribution of proportion of investment for which VCT relief was claimed by size of investment (upper limit)

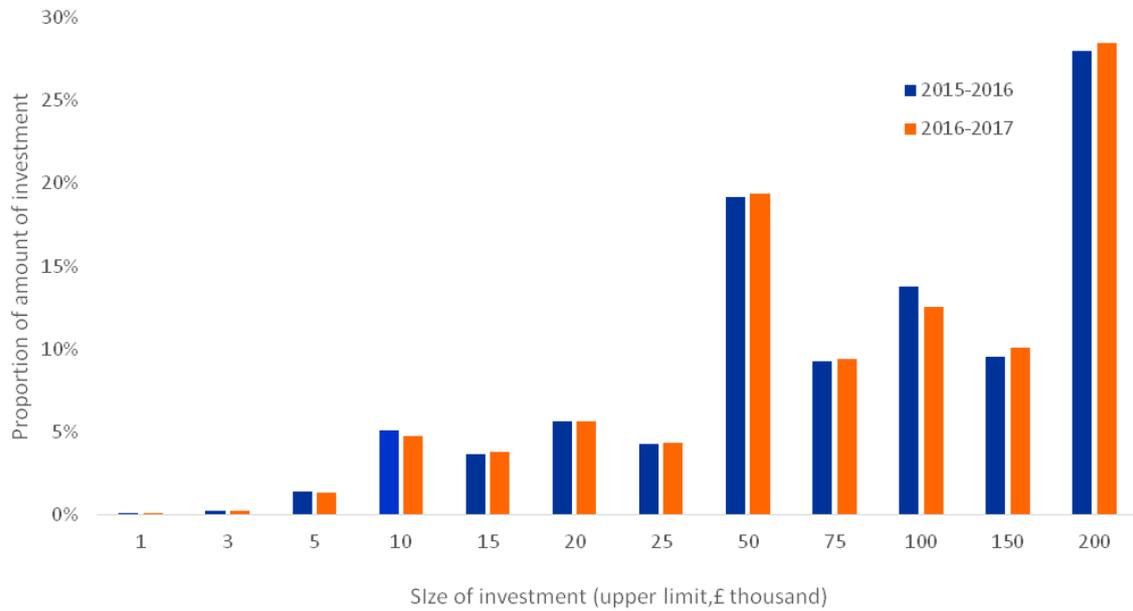
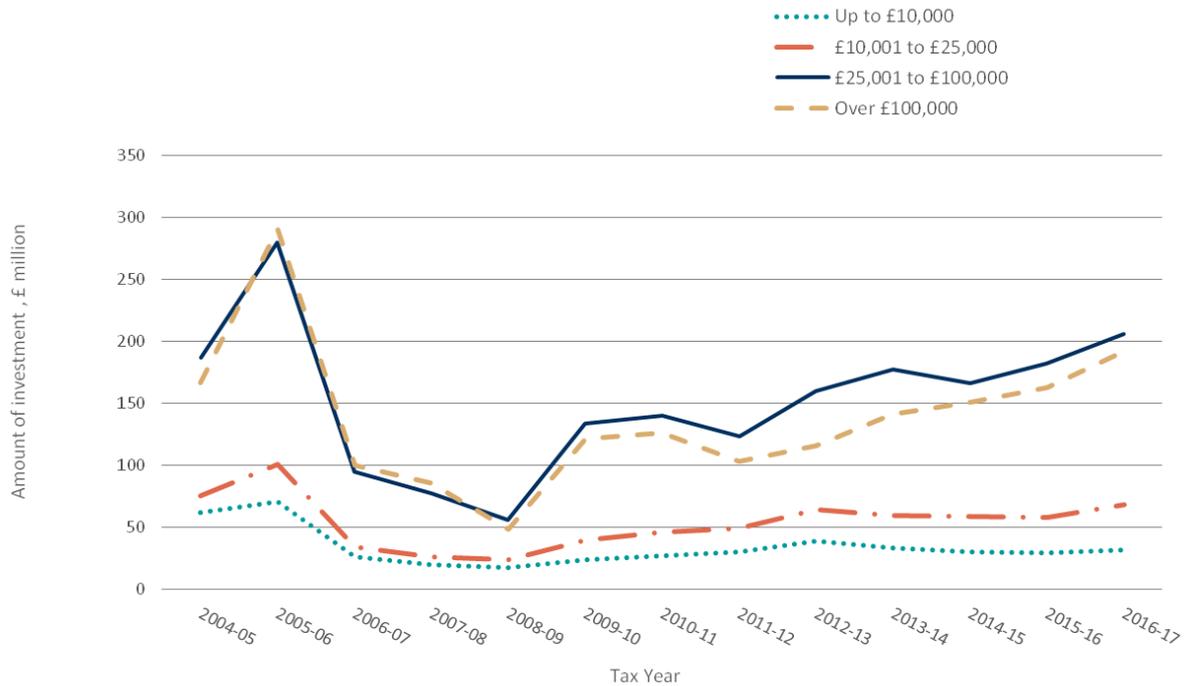


Figure 6 shows a time series of the distribution of the size of investments since the upper limit was raised to £200,000 in 2004-05. For this analysis, the investment size categories have been grouped into four bands: £0 to £10,000, over £10,000 to £25,000, over £25,000 to £100,000, and over £100,000 to £200,000. Figure 6 shows that the largest amount of investment is accounted for by the £25,001 to £100,000 band, and this has been the case since 2008-09. Investments of up to £10,000 have been the smallest proportion of total investment in all years.

Figure 6: Distribution of overall investment for which VCT was claimed by size of investment (upper limit)



The amount of investment follows a similar trend to the number of investors, with 2005-06 being the peak year for all groups. The relief rate reduction in 2006-07 from 40% to 30% saw a sharp drop in activity with each band falling to only a third of the 2005-06 amounts. The decline continued, reaching a low in 2008-09 for all bands.

There has since been an upward trend across all bands in the level of activity since 2008-09.

Section 3: Background Information

Data Sources

Investments in VCTs are notified to HMRC, but until recently not in a form suitable for data capture. Therefore, information on the number of VCT trusts and funds raised are obtained from publicly available internet sources such as *Pricewaterhousecoopers*, *Allenbridge*, *Tax Efficient Review*, *FE Investegate* and *London Stock Exchange* VCTs information and news announcements. As a result, these figures are outside the managerial control of HM Revenue & Customs (HMRC) and are not considered National Statistics. However, they are published annually by HMRC as our current best indicators of the number of VCT funds and the amounts they raise.

Self Assessment (SA) returns are used to collect VCT investor-level information. The tables using this data are considered National Statistics. This information will not cover investors making Income Tax relief claims through other systems (e.g. PAYE) or not making any claims.

All figures in this release are based on data extracted in October 2018 (VCT) and November 2018 (SA).

Methodology

The figure on the amount of funds raised by tax year in Table 8.6 is the aggregation of the amount raised by each individual VCT company. The data on individual VCT funds' activity are manually recorded from the daily news announcements on UK quoted companies.

The figure on the number of VCT funds is produced based on the news announcements regarding new VCT funds formed and VCT funds merged, liquidated or dissolved. The figures cover all VCTs and consequently—as no sampling is necessary—the results are not subject to sampling error. Figures in this release refer to tax years; the tax year runs from 6th April in one year to 5th April the following year.

A number of checks against other external commercial websites such as *Allenbridge* (*taxshelterreport.co.uk*) and *Tax Efficient Review* (*taxefficientreview.com*) and against figures annually published by Association of Investment Companies (AIC) are carried out to validate the figures. As these figures are outside the managerial control of HM Revenue & Customs (HMRC), these checks are at a high-level. This includes comparison of the total funds raised by all and individual VCTs in a given tax year with those published on commercial websites.

It is assumed that small discrepancies with AIC industry figures arise due to differences in the methodology and assumptions used to compile the figures; for example, AIC figures exclude enhanced share buy-backs. In the case of large discrepancies, this is reported to VCT policy colleagues and further investigation takes place until the discrepancy is understood. The latest figures published by AIC are available here:

<https://www.theaic.co.uk/search?keys=vct+tax+year+2017%2F2018>

The investor information in Table 8.9 is based on data from SA returns. As no sampling is necessary, sampling error is not an issue. This information will not cover investors making Income Tax relief claims through other systems (e.g. PAYE) or not making any claims. However, these numbers are expected to be small.

Revisions to previously published tables

This release provides the first estimates of the number of investors and the amount claimed through Self-Assessment in value terms for 2016-17. Prior to 2014 these were published as percentages. VCT investors can claim Income Tax relief up to four years after the end of the tax year (6 April to 5 April the following year) in which the investment was made. Therefore, in the next publication, a small number of late claims could result in minor revisions to the provisional figures for 2016-17.

User engagement

HMRC is committed to providing impartial quality statistics that meet our users' needs. We encourage our users to engage with us so that we can improve our National Statistics and identify gaps in the statistics that we produce.

If you would like to comment on these statistics or have any enquiries, please use the statistical contacts named at the end of this section or on the cover page.

UKSA Assessment

These statistics have been assessed for compliance with the Code of Practice for Statistics by the UK Statistics Authority (UKSA). The assessment report is available on the UKSA website:

<https://www.statisticsauthority.gov.uk/code-of-practice/>

UKSA is an independent body directly accountable to Parliament with the overall objective to promote and safeguard the production and publication of official statistics. It is also required to promote and safeguard the quality and comprehensiveness of official statistics and good practice in relation to official statistics.

Contact points

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For all detailed enquiries relating to Venture Capital Trusts, please contact:

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Media enquiries should be directed to the HMRC Press Office contacts listed on the front page of this release.

Annex A: Statistical Tables

Table 8.6: Funds raised and number of Venture Capital Trusts

Venture Capital Trusts ¹

Table 8.6: Amount of funds raised and number of Venture Capital trusts (VCT).

Numbers: actual; Amounts: £ million

Year ¹	Funds raised ²	VCTs raising funds in the year ³	VCTs managing funds ⁴	Rate of Income Tax Relief (%) ⁵
	Amount	Number	Number	
1995-96	160	12	12	20
1996-97	170	13	18	20
1997-98	190	16	26	20
1998-99	165	11	34	20
1999-00	270	20	43	20
2000-01	450	38	61	20
2001-02	155	45	70	20
2002-03	70	32	71	20
2003-04	70	31	71	20
2004-05	520	58	98	40
2005-06	780	82	108	40
2006-07	270	32	121	30
2007-08	230	54	131	30
2008-09	150	46	129	30
2009-10	340	68	122	30
2010-11	350	78	128	30
2011-12	325	76	124	30
2012-13	400	65	118	30
2013-14	440	66	97	30
2014-15	435	57	94	30
2015-16	445	45	80	30
2016-17	570	38	75	30
2017-18 ^p	745	43	70	30
Total	7,700	*	*	

Source : Pricewaterhousecoopers, Allenbridge, Trustnet, Investegate and London Stock Exchange VCTs information and news announcements

p. Provisional

1. The data sources are outside the managerial control of HM Revenue & Customs (HMRC) and therefore we cannot ensure their completeness and quality; hence, this table falls outside the scope of National Statistics.

1*. Tax year runs from the 6th April in one year to 5th April the following year.

2. The amount of funds raised by VCTs in each tax year, rounded to the nearest £5 million.

3. The number of VCTs raising funds in each tax year, consisting of new VCTs raising funds for the first time, existing ones raising further funds and also VCTs raising funds in the tax year which are in wind-down.

4. The number of VCTs in existence in each tax year.

5. The rate of investors' income tax relief in each tax year; capital gains tax deferral relief was available until 5 April 2004.

* The totals are not given to avoid duplication of number of VCTs as VCTs can raise funds in multiple tax-years.

This table is classified as Official Statistics

Table 8.9: Income tax relief: distribution of investors and amount of investment on which relief claimed from 2014-15 to 2016-17

Venture Capital Trusts

Table 8.9: Income tax relief; distribution of investors and amount of investment on which relief claimed from 2014-15 to 2016-17^P

Numbers: actual; Amounts: £million

Size of investment in year ¹ (Upper limit) £	2014-15 ^r		2015-16 ^r		2016-17 ^P	
	Investors	Amount of investment	Investors	Amount of investment	Investors	Amount of investment
1,000	1,035	0	1,235	1	1,055	0
2,500	610	1	630	1	770	1
5,000	1,315	6	1,365	6	1,605	7
10,000	2,775	24	2,545	22	2,775	24
15,000	1,285	17	1,195	16	1,435	19
20,000	1,270	24	1,285	24	1,480	28
25,000	760	18	775	18	910	21
50,000	2,025	78	2,150	83	2,530	97
75,000	550	34	640	40	760	47
100,000	580	54	635	60	670	62
150,000	285	36	330	41	405	50
200,000	585	115	620	121	725	142
Total	13,070	406	13,405	433	15,120	500

Source: Self Assessment Returns

Numbers are rounded to the nearest 5 and amounts are rounded to the nearest £1m. Totals may not sum due to rounding.

Total figures provided in this table are not directly comparable with the amount of investment companies receive through VCT scheme each tax year.

1. Tax year ending 5 April.

p. Provisional.

r. Revised