



HM Revenue
& Customs



Venture Capital Trusts Statistics

Commentary

10 December 2019

This is an annual publication of Venture Capital Trusts (VCT) statistics. It includes information about the funds raised by the Venture Capital Trusts, and the investors claiming Income Tax relief for their VCT investments.

Key Findings

Venture Capital Trusts have continued to decrease in 2018 to 2019, although the amounts claimed as tax relief have continued to grow. The number of shares issued in 2018 to 2019 has remained at the high level issued in 2017 to 2018, and is 31.4% higher than in 2016 to 2017.

- Venture Capital Trusts (VCTs) have issued shares to the value of £716 million in 2018 to 2019 which is 1.6% higher than in 2017 to 2018 (£705 million).
- The number of VCTs raising funds in 2018 to 2019 decreased by 1 to 42.
- The number of VCTs managing funds decreased by 6 to 62 in 2018 to 2019.
- In 2017 to 2018, VCT investors claimed Income Tax relief on £670 million of investment, compared with £503 million in 2016 to 2017, an increase of 33%.
- There were 18,890 VCT investors who claimed Income Tax relief in 2017 to 2018, an increase of 24% from 2016 to 2017.
- The upward trend is likely due to the continuing impact of the pension changes, such as the reduction of the lifetime allowance and new pension freedoms, as well as anticipation of changes from the Patient Capital Review.

Publication Information

Theme: The economy

Media contact: HMRC Press Office 03000 585018

Released: 10 December 2019

Statistical contacts: venturecapital.statistics@hmrc.gov.uk

Frequency of release: Annual

Stephen Bennett, Ruvimbo Gwarada, Chris Nash

Next release: December 2020

This is a National Statistics publication. Statistical tables to accompany this commentary are available at:

<https://www.gov.uk/government/statistics/venture-capital-trusts-statistics-december-2019>

Venture Capital Trusts

What are Venture Capital Trusts?

The VCT scheme, introduced in 1995, is one of four tax based Venture Capital Schemes. VCTs raise funds for investments, normally annually, through new and/or top-up share issues to investors.

For more information about Venture Capital Trusts, see the summary information in Annex 1 or visit <https://www.gov.uk/government/statistics/venture-capital-trusts-statistics-introductory-note>. For more information about the data included in this release see Annex 1 at the end of this document.

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

Venture Capital Trusts (VCTs) have issued shares to the value of £716 million in 2018 to 2019 which is 1.6 % higher than in 2017 to 2018 (£705 million).

VCTs raising funds and funds raised

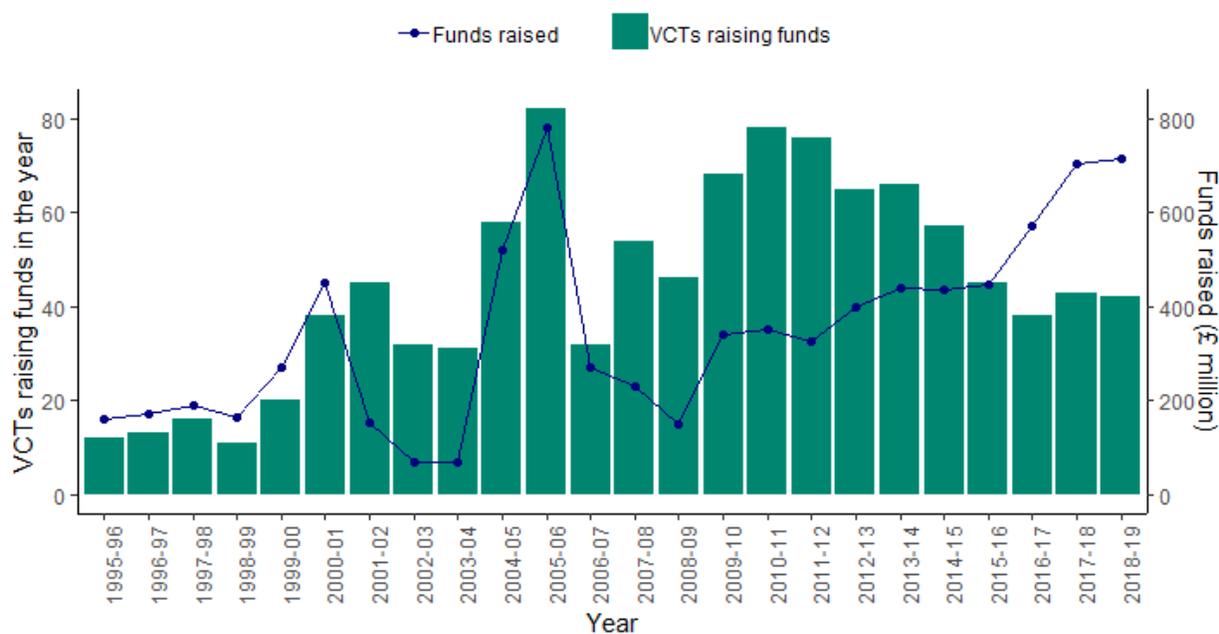


Figure 1: Number of VCTs raising funds and funds raised

As seen in Figure 1, the amount of funds raised by VCTs has been on a rising trend in recent years and has more than doubled since 2009 to 2010. A few rules that were introduced during the period namely the restricted enhanced share buy backs from April 2014 and the Government's Patient Capital Review consultation in summer 2017 may partly explain the

increased fund-raising in 2014 to 2015, 2015 to 2016, and 2017 to 2018 respectively, as VCTs anticipated possible changes to the rules of the scheme. Peak funds raised in 2005 to 2006 were due to the increase in the income tax relief rate to 40% in 2004 to 2005.

As well as anticipation of changes from the patient capital review, the increase in funds raised from 2017 to 2018 onwards is likely due to the reduction of the lifetime allowance from £1.25m to £1m, making traditional pensions less attractive, and the introduction of pension freedoms that allow for cash to be taken out of the pot for investment rather than buying an annuity mean there is more freedom for investment in alternatives such as VCTs. [Table 8.6](#) presents the funds raised and number of Venture Capital Trusts.

Number of Venture Capital Trusts raising funds

The number of Venture Capital Trusts (VCTs) raising funds in 2018 to 2019 dropped to 42 from 43 in 2017 to 2018. 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. A reduction in the income tax relief rate to 30% in 2006 to 2007 was accompanied by a sharp fall in activity to £270 million raised by 32 VCTs, and activity remained relatively low until 2009 to 2010. The amount raised by VCTs has remained fairly stable in 2014 to 2015 and 2015 to 2016, but 2017 to 2018 saw a rise to £705 million raised by 43 VCTs and; £716 million in 2018 to 2019 by 42 VCTs.

Number of Venture Capital Trusts managing and raising funds

The number of Venture Capital Trusts (VCTs) managing funds decreased from 68 in 2017 to 2018 to 62 in 2018 to 2019 due to liquidation and mergers of some VCTs. Of these, the number of VCTs raising funds fell from 43 in 2017 to 2018 to 42 in 2018 to 2019. The number of VCTs managing funds increased from 12 in 1995 to 1996 to a peak of 131 in 2007 to 2008. Since, 2007 to 2008 the number of VCTs managing funds has generally been decreasing, dropping to 62 in 2018 to 2019.

Combined VCTs raising funds, VCTs managing funds and amount raised

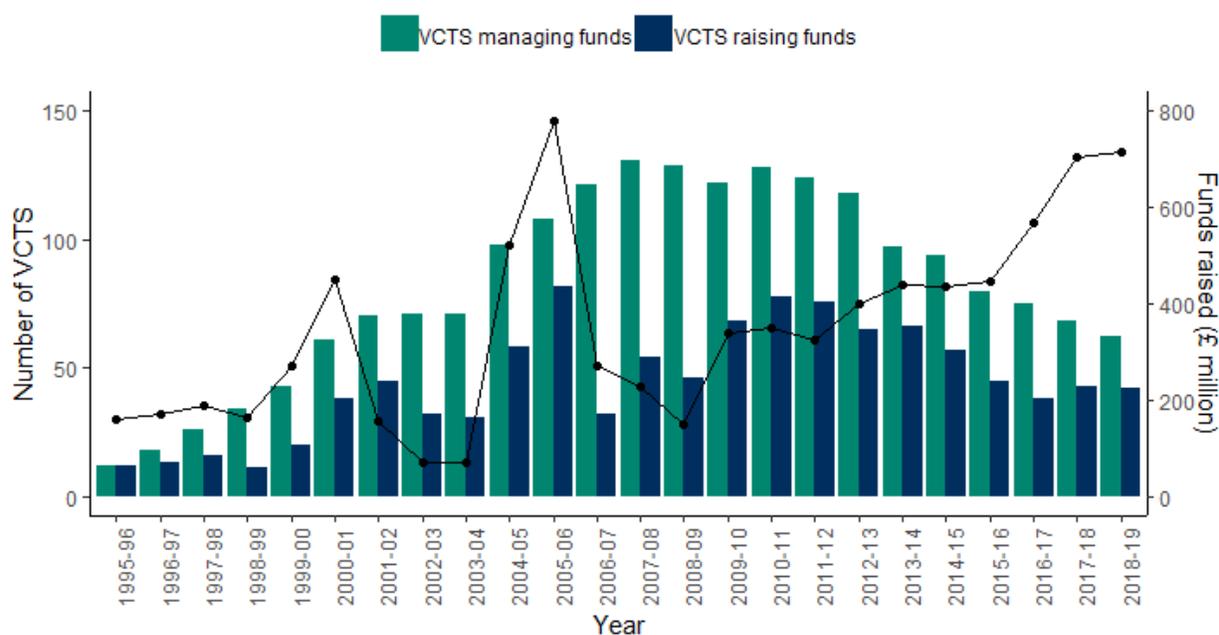


Figure 2: Number of VCTs raising & managing funds and amount raised (represented by the line)

As shown in Figure 2, Venture Capital Trusts (VCTs) have been merging over time to achieve economies of scale. 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.

Venture Capital Trusts: Income Tax Relief

In 2017-18, Venture Capital Trust (VCT) investors claimed Income Tax relief on £670 million of investment, a £168 million (33%) increase compared to 2016 to 2017 when there were claims on £503 million of investment. The number of investors increased by 24% to 18,890 in 2017 to 2018. 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 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, as a small amount of relief would be claimed through the PAYE system.

Proportion of investors claiming VCT relief by size of investment

The majority of investors tend to invest smaller amounts of money into Venture Capital Trust (VCT) funds.

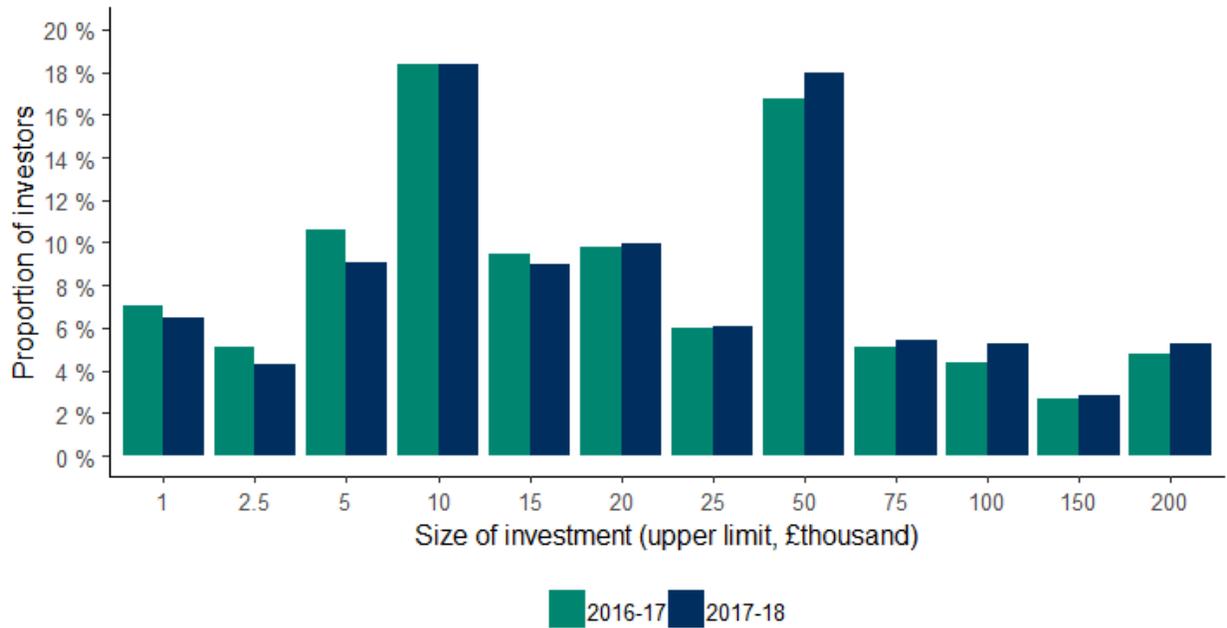


Figure 3: Distribution of proportion of investors claiming VCT relief by size of investment

Figure 3 shows the distribution of the investors claiming VCT relief split by size of investment. The figures for 2017 to 2018 are similar to 2016 to 2017. The majority of investors tend to invest smaller amounts of money into VCT funds. 63% of VCT investors claimed tax relief under the VCT scheme for an investment of £25,000 or less; the largest number being in the £5,001 to £10,001 group (18%). Only 8% of investors made a claim for an investment over £100,000.

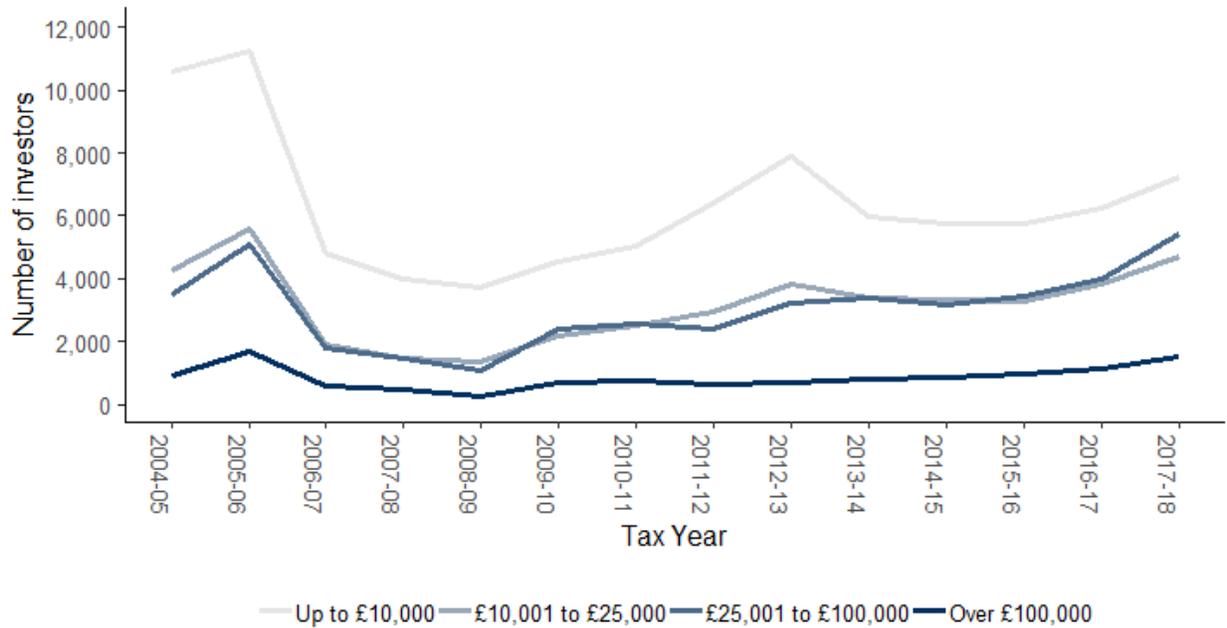


Figure 4: Number of investors claiming VCT relief by size of investment (upper limit)

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 to 2005. For this analysis, the investment size categories have been grouped into four bands. For all of the 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.

The peak year for all bands, based on the number of investors, was 2005 to 2006. A reduction in the tax relief rate from 40% to 30% in 2006 to 2007 saw a fall in VCT investment across all these investment size bands. Activity continued to fall until 2008 to 2009, 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 to 2013. The new peak seen likely reflects the consequence of the increase in shares raised seen in Figure 1 as a result of pension changes and the Patient Capital Review

Distribution of VCT investment by size of investment

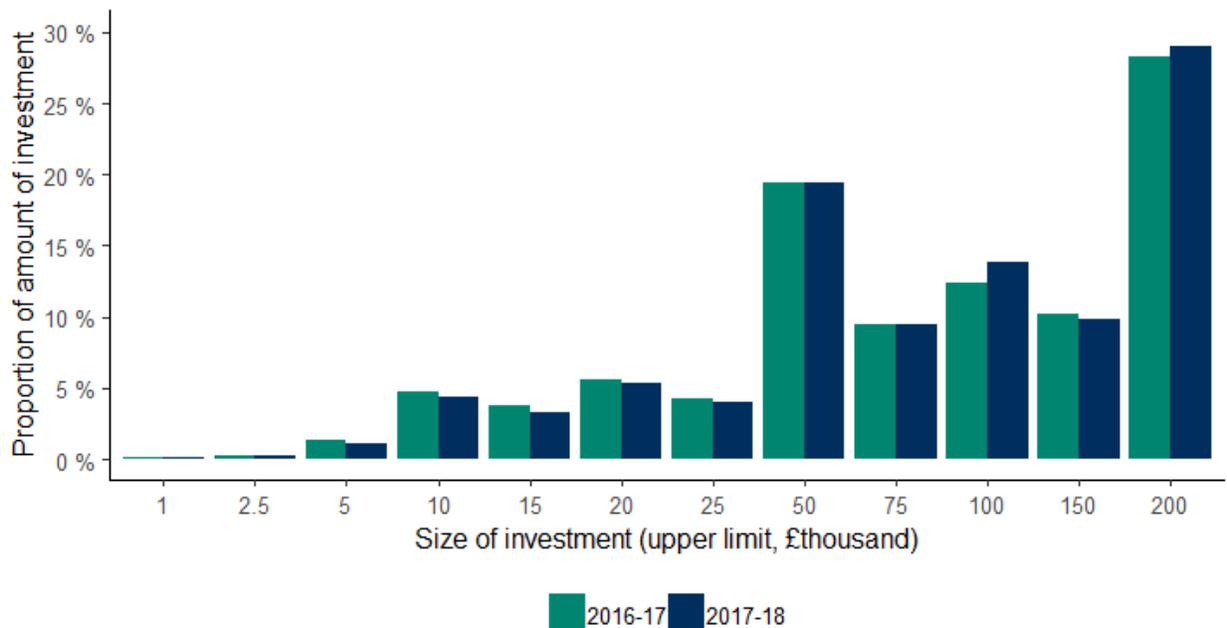


Figure 5: Distribution of proportion of investment for which Venture Capital Trust (VCT) relief was claimed by size of investment

Figure 5 shows that the largest category of investment by amount in 2017 to 2018 was investments between £150,000 and £200,000. Investment in this category accounts for 29% of the total VCT investment.

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 to 2005. For this analysis, the investment size categories have been grouped into four bands. The analysis shows that the two highest bands (in other words, those investments over £25,000) unsurprisingly account for the highest levels of investment, whereas the lowest band (investments up to £10,000) have been the smallest proportion of total investment in all years.

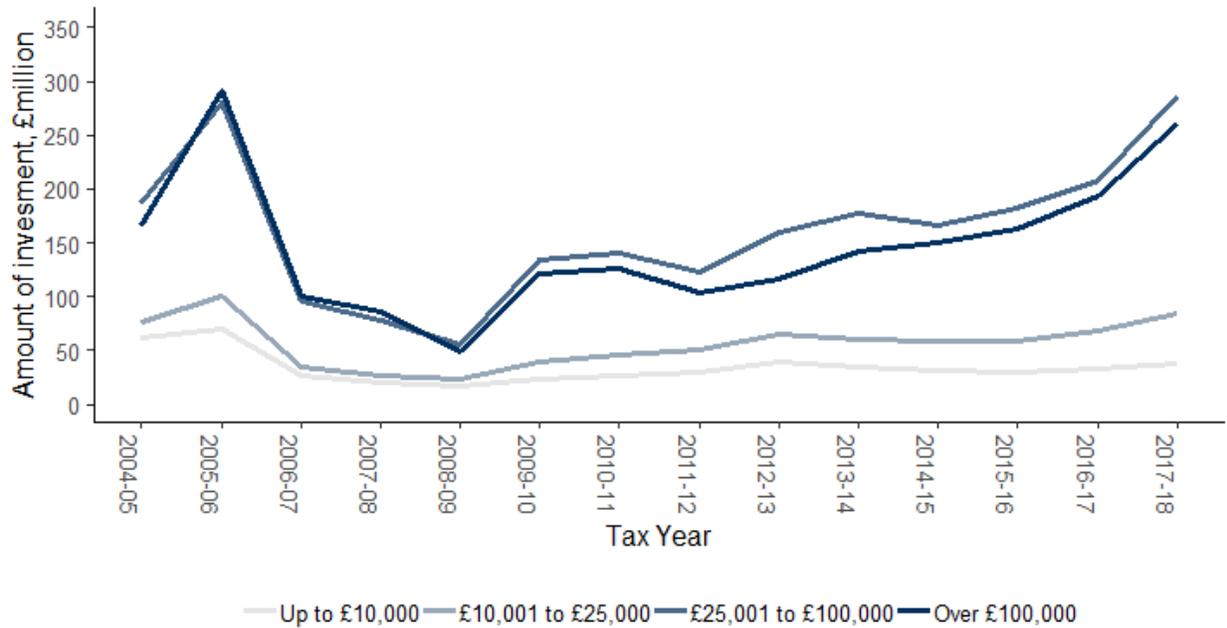


Figure 6: Distribution of overall investment for which VCT was claimed by size of investment

The amount of investment follows a similar trend to the number of investors, with 2005 to 2006 being the peak year for all groups. The relief rate reduction in 2006 to 2007 from 40% to 30% saw a sharp drop in activity with each band falling to only a third of the 2005 to 2006 amounts. The decline continued, reaching a low in 2008 to 2009 for all bands.

There has been an upward trend in the level of activity across all bands since 2008 to 2009.

Annex 1 - Background Information

This year, several changes have been made to the layout of this National Statistics publication. These have been introduced to improve the readability of the publication. Information about the data sources and methodology can now be found in the [statistical tables](#).

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 2017 to 2018. Prior to 2014 these were published as percentages. Venture Capital Trust (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 2017 to 2018.

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 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.