

EXPLANATORY NOTE

CLAUSE 40 SCHEDULE 8: VENTURE CAPITAL TRUSTS

AMENDMENTS [1 to 4]

SUMMARY

1. Clause 40 and Schedule 8 make a number of changes to the Venture Capital Trust scheme.
2. Amendments [1 to 4] alter the effective date of one of the changes, and correct a minor drafting error in another.

DETAILS OF THE AMENDMENTS

3. New section 280B ITA 2007, inserted by Paragraphs 2 and 3 of Schedule 8, ensures that an investment by a VCT does not exceed the limits agreed with the European Commission as constituting an “approved” State aid. The new section provides that not only the current VCT investment must be taken into account, but also any other risk capital investment which is an approved State aid, which the company receiving the investment has had in the preceding 12 months.
4. Paragraph 18 of Schedule 8 provides that new section 280B applies in respect of investments made by a VCT on or after 6 April 2012.
5. Paragraphs 6(2), 8 and 9 of Schedule 8 increase various monetary and size limits applicable to VCT investments.
6. Paragraph 20 provides that those new limits apply in respect of shares issued on or after 6 April 2012, subject to a Treasury appointed day order with retrospective effect.
7. Amendments 1, 2 and 3 amend Paragraph 18 to alter the date from which new section 280B has effect, so that it applies in respect of investments made by a VCT on or after the day on which Finance Act 2012 is passed.
8. Amendment 4 amends Paragraph 20 so that it applies in respect of securities as well as shares issued on or after 6 April 2012, as VCTs may invest in both or either.

BACKGROUND NOTE

9. The Venture Capital Trust scheme, introduced in 1995, exists to encourage investment in smaller higher-risk trading companies. Tax relief is available to individuals who invest in a Venture Capital Trust, which then invests the money on into a range of companies of the type which are the target of the policy.
10. The scheme is a European Commission-approved State aid, and to retain that status any proposed changes to the scheme must comply with EU legislation. Schedule 8 increases the size of companies which may benefit from VCT investment, and increases the amount of investment which a company may receive annually under the scheme.
11. Because VCT managers will now have to consider investments other than their own before deciding how much they may invest in a company, they require time to carry out adequate due diligence into prospective investment deals currently in the pipeline. The delayed commencement of this part of the Schedule will give them time to carry this out.



House of Commons
Draft
PUBLIC BILL COMMITTEE

FINANCE (NO. 4) BILL

David Gauke

Schedule 8, page 275, line 16, leave out ‘6 April 2012’ insert ‘the day on which this Act is passed’.

1

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Schedule 8, page 275, line 18, leave out ‘date’ insert ‘day’.

2

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Schedule 8, page 275, line 21, leave out ‘date’ insert ‘day’.

3

David Gauke

Schedule 8, page 275, line 31, [leave out sub-paragraph (2) and insert—

4

‘(2) Those amendment have effect for the purpose of determining whether shares or securities issued on or after 6 April 2012 are to be regarded as comprised in a company’s qualifying holdings.’.]