EXPLANATORY NOTE

AMENDMENTS 16-19 TO SCHEDULE 8: VENTURE CAPITAL TRUSTS

SUMMARY

1. These amendments clarify the wording of Schedule 8. They also provide a power to make regulations to cater for VCT mergers, following on from the changes introduced by Schedule 8.

DETAILS OF THE AMENDMENTS

2. Amendments 16 and 17 replace the word "distribution" with the word "payment", for consistency with the remainder of the Schedule.

3. Amendment 18 has been inserted to make it clearer that only payments out of share capital raised on or after 6 April 2014, are caught by new section 281(1)(f)(i) or (iii). Payments out of share capital raised before that date are unaffected by the new legislation.

4. Amendment 19 recognises that there may be circumstances in which Government would want to disapply or amend the effect of the new legislation, where one or more VCTs merge. The amendment introduces a power to make any such changes by secondary legislation.

BACKGROUND NOTE

5. Schedule 8 introduces some changes to the legislation relating to Venture Capital Trusts (VCTs). Those changes include a restriction on the scope for a VCT to return capital to investors, after the investors have had tax relief on their investment but before the VCT has been required to invest the monies in qualifying holdings. These amendments provide clarification as to the effect of the new legislation dealing with returns of capital and provide scope for greater flexibility in respect of the treatment of VCT mergers.

If you have any questions about this change, or comments on the legislation, please contact Kathryn Robertson on 03000 585729 (email: kathryn.robertson@hmrc.gsi.gov.uk)

Tuesday 6 May 2014

PUBLIC BILL COMMITTEE

Mr David Gauke

16

☐ Schedule **8**, page **325**, line **47**, leave out ‘distribution’ and insert ‘payment’.

Mr David Gauke

17

☐ Schedule **8**, page **326**, line **4**, leave out ‘distribution’ and insert ‘payment’.

Mr David Gauke

18

☐ Schedule **8**, page **326**, line **27**, at end insert—

‘( ) In section 281(1)(f)(i) or (iii) of ITA 2007 references to a company’s share capital do not include so much (if any) of its share capital as consists of shares issued before 6 April 2014.’.

Mr David Gauke

19

☐ Schedule **8**, page **326**, line **27**, at end insert—

‘ In section 322 of ITA 2007 (power to facilitate mergers of VCTs: provision that may be made by regulations), after subsection (5) insert—

“(5A) Provision for section 281(1)(f) (withdrawal of VCT approval where company has made a repayment of share capital etc) not to apply, or to apply subject to modifications, to the successor company or any of the merging companies, in relation to payments made, or amounts used to pay up new shares, in connection with or after the merger.”’.
