

**2014 No. 0000**

**INCOME TAX**

**The Venture Capital Trust (Winding up and Mergers) (Tax)  
(Amendment) Regulations 2014**

<i>Made</i>	- - - -	***
<i>Laid before the House of Commons</i>		***
<i>Coming into force</i>	- -	***

The Treasury make the following Regulations in exercise of the powers conferred by sections 321(1), 322(5A) and 324(1)(e) of the Income Tax Act 2007(a).

**Citation, commencement and effect**

**1.**—(1) These Regulations may be cited as the Venture Capital Trust (Winding up and Mergers) (Tax) (Amendment) Regulations 2014 and come into force on [ ].

(2) Regulation 2 has effect in relation to new shares issued on or after 6th April 2014.

**Amendment of the Venture Capital Trust (Winding up and Mergers) (Tax) Regulations 2004**

**2.**—(1) The Venture Capital Trust (Winding up and Mergers) (Tax) Regulations 2004(b) are amended as follows.

(2) After paragraph (9) of regulation 13 insert—

“(10) Section 281(1)(f)(c) applies to a successor company except in relation to new shares issued on or after 6th April 2014 which correspond to old shares that were issued before 6th April 2014.”.

	<i>Name</i>
	<i>Name</i>
Date	Two of the Lords Commissioners for Her Majesty’s Treasury

**EXPLANATORY NOTE**

*(This note is not part of the Regulations)*

These Regulations amend the Venture Capital Trust (Winding up and Merger) (Tax) Regulations 2004 (S.I. 2004/2199) (the “Principal Regulations”).

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(a) 2007 c. 3; sub-section (5A) of section 322 was inserted by paragraph 4 of Schedule 10 to the Finance Act 2014 (c. 26).  
(b) S.I. 2004/2199, amended by S.I. 2011/660; there are other amending instruments but none is relevant.  
(c) Sub-paragraph (f) of section 281(1) was inserted by paragraph 3 of Schedule 10 to the Finance Act 2014.

Paragraph 3 of Schedule 10 to the Finance Act 2014 (c. 26) inserted new provisions (sections 281(1)(f) and 281(1A)) into the Income Tax Act 2007 (c. 3) which provide that where a venture capital trust (a “VCT”) issues shares on or after 6 April 2014 and makes a repayment of share capital before the end of the period specified, there will be grounds for its VCT approval to be withdrawn. Paragraph 4 of Schedule 10 to the Finance Act 2014 also inserted a new provision (section 322(5A)) into the Income Tax Act 2007 which enables provision to be made for section 281(1)(f) not to apply (or to apply subject to modifications) in circumstances where there is a merger of two or more VCTs.

Regulation 2 (which has effect in relation to new shares issued on or after 6 April 2014) amends regulation 13 of the Principal Regulations to provide that where there has been a merger of VCTs, section 281(1)(f) applies to the successor company except to the extent that it issues new shares on or after 6 April 2014 which correspond to old shares in the merging companies that had been issued before 6 April 2014. Section 324(1)(3) of the Income Tax Act 2007 enables such provision to have retrospective effect.

A Tax Information and Impact Note covering this instrument was published on 19 March 2014 alongside Budget 2014 and is available at <https://www.gov.uk/government/publications/venture-capital-trusts-return-of-capital>. It remains an accurate summary of the impacts that apply to this instrument.