

## Explanatory Note

### Clause 6: EIS, SEIS and VCTs: exclusion of energy generation

#### Summary

1. This clause excludes all energy generating activities, including the production of gas or other fuel, from the tax-advantaged venture capital schemes - the Seed Enterprise Scheme (SEIS), the Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCTs) - for investments in companies made on or after 6 April 2016.

#### Details of the clause

2. Clause 6 removes all energy generating activities from the tax-advantaged venture capital schemes. It substitutes the existing subsidised renewable energy and reserve capacity exclusions with new broader exclusions that cover any form of energy generating activities and include all electricity generating and storage activities (including making capacity available), any activities generating heat and those producing gas or fuel.
3. These changes will take effect for the EIS, SEIS and VCTs in relation to shares or holdings issued on or after 6 April 2016.

#### Background note

4. The tax-advantaged venture capital schemes are intended to incentivise investment in smaller companies carrying on qualifying trades. A trade is qualifying if it is carried on commercially, with a view to profit, and if it does not consist to a substantial extent in "excluded activities".
5. The legislation listing the activities which are "excluded" for the purpose of the schemes can be found at sections 192 to 199 Income Tax Act 2007 (ITA) for the EIS (and the SEIS by virtue of section 257DA ITA). The equivalent VCT provisions are at sections 303 to 310 ITA.
6. Legislation already exists to exclude the subsidised generation of electricity or heat, the subsidised production of gas or other fuel and the provision of reserve electricity generating capacity.
7. The changes made by Clause 6 follow previous amendments limiting the use of the venture capital schemes by those companies undertaking energy generating activities and supersede those made during the passage of the Finance (No.2) Act 2015. The new exclusions will apply to both non-renewable and renewable sources of energy generation and are without exception to whether a subsidy is received or to the nature of the company carrying on the activities.
8. It is intended that these energy generation activities will also be withdrawn from the Social

Investment Tax Relief when this scheme is enlarged at a later date.

9. If you have any questions about this change, or comments on the legislation, please contact Alex Buckley on 03000 586048 (email: [alex.buckley@hmrc.gsi.gov.uk](mailto:alex.buckley@hmrc.gsi.gov.uk)).