Explanatory Note

New Clause 4: EIS, VCTs etc: excluded activities

Summary

1. This clause excludes the activities of making reserve electricity generating capacity available and utilising such capacity from the scope of the venture capital schemes - the Seed Enterprise Investment Scheme (SEIS), the Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCTs).

Details of the clause

2. Subsection 1 amends section 192 of the Income Tax Act 2007 to add the activities of making reserve electricity generating capacity available, including any later utilisation of the capacity to generate electricity, to the list of excluded activities for the EIS (and the SEIS by virtue of subsection 257HF of ITA 2007).

3. Subsection 2 amends section 303 of the Income Tax Act 2007 to add these same activities to the list of excluded activities for VCTs.

4. The changes will take effect for the EIS, SEIS and VCTs in relation to shares or holdings issued on or after 30 November 2015.

Background note

5. The purpose of these provisions is to exclude those activities that involve contracted arrangements for making reserve electricity generation capacity available, for example under a Capacity Market agreement or Short Term Operating Reserve contract. Also excluded are those activities that, having made such reserve capacity available, then utilise the capacity if and when called upon to generate electricity.

6. These changes are being made alongside separate amendments to the EIS and VCTs which are aimed at ensuring compliance with State aid regulations. State aid approval for the Enterprise Investment Scheme and the Venture Capital Trusts was received on 12 October 2015.