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## Venture Capital Trusts Statistics

**December 2017**

### Table 8.9



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## **Section 1: Introduction**

### **About these statistics**

This is a National Statistics publication produced by HM Revenue & Customs (HMRC). It provides statistics on the number of investors and amount of investment claimed under the Venture Capital Trust (VCT) scheme through Income Tax Self Assessment forms. This release includes the first estimates for 2015-16.

National Statistics are produced to professional standards set out in the Code of Practice for Official Statistics (2009)<sup>1</sup>. They undergo regular Quality Assurance reviews and HMRC seek to engage users in their refinement and development to ensure they meet customers' needs.

For more information on Official and National Statistics and the governance of statistics produced by public bodies, please see the UK Statistics Authority website:

[www.statisticsauthority.gov.uk](http://www.statisticsauthority.gov.uk)

HMRC Official and National Statistics can be found on the gov.uk website:

<https://www.gov.uk/government/organisations/hm-revenue-customs/about/statistics>

### **Policy background**

The Venture Capital Trust (VCT) scheme, introduced in 1995, is one of four tax-based Venture Capital Schemes, the others being the Enterprise Investment Scheme (EIS), the Seed Enterprise Investment Scheme (SEIS) and Social Investment Tax Relief (SITR). Follow the link below for information on the policy background and key policy changes in VCT schemes:

<https://www.gov.uk/government/statistics/venture-capital-trusts-statistics-introductory-note>

### **What does this publication tell me?**

This publication provides statistics on the distribution of the amounts invested under the Venture Capital Trust (VCT) scheme by investors claiming income tax relief. It also provides figures on the total amount invested under the scheme broken down by the size of investors' investments. Due to the limited data available this information will not cover investors making Income Tax relief claims through other systems (e.g. PAYE) or not making any claims.

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<sup>1</sup> <http://www.statisticsauthority.gov.uk/assessment/code-of-practice/>

Table 8.9 presents annual figures for 2013-14 to 2015-16 on:

- The distribution of investors claiming income tax relief on VCT investments;
- The distribution of amounts invested under the VCT scheme.

Section 2 provides a statistical commentary on the figures and recent trends. Section 3 provides background information including a link to an introductory note explaining in more detail the policy background and the key policy changes. This section also covers the data sources and methodology used to derive these statistics. Annex A presents time series for the number of investors and amount of investment between 2004-05 and 2015-16.

### **Who might be interested in these statistics?**

This publication is likely to be of interest to policy makers in government, academics, research organisations, the media, Venture Capital associations and VCTs themselves. It will be of particular interest to investors investing in VCTs.

People interested in this publication may also be interested in the National and Official Statistics publications on the other Venture Capital Schemes:

<https://www.gov.uk/government/collections/enterprise-investment-scheme-and-seed-enterprise-investment-scheme-statistics>

## **Section 2: Statistics and Commentary**

### **2.1 Key points**

- In 2015-16, Venture Capital Trust (VCT) investors have claimed Income Tax relief on £430m of their investment, a £24.3m (6%) increase compared with 2014-15.
- The majority of VCT investors tend to invest smaller amounts into VCT funds. In 2015-16, 43% of investors made a claim for an investment of £10,000 or less and only 7% invested above £100,000.
- Amounts invested between £150,000 and £200,000 accounted for over a quarter (28%) of the total amount of investment in 2015-16.
- The distribution of investors and amounts of investment in 2015-16 are similar to recent years. For all years since 2004-05, those investing £10,000 or less have represented the largest group of investors.

## 2.2 Table 8.9: VCT Income Tax relief, distribution of investors and investment

In 2015-16, VCT investors claimed Income Tax relief on £430m<sup>2</sup> of their investment, a £24.3m (6%) increase compared to 2014-15 when there were claims on £405.7m of investment. This information only covers claims made through Self-Assessment and will not cover investors making Income Tax relief claims through other systems (e.g. PAYE) or not making any claims.

Table 8.9 presents the distribution of investors claiming Income Tax relief under the VCT scheme and their amount of investment.

### Venture Capital Trusts

**Table 8.9: Income tax relief; distribution of investors and amount of investment on which relief claimed from 2013-14 to 2015-16<sup>p</sup>**

Numbers: actual; Amounts: £million

| Size of investment in year <sup>2</sup><br>(Upper limit)<br>£ | 2013-14       |                      | 2014-15       |                      | 2015-16 <sup>p</sup> |                      |
|---|---------------|----------------------|---------------|----------------------|----------------------|----------------------|
|   | Investors     | Amount of investment | Investors     | Amount of investment | Investors            | Amount of investment |
| 1,000   | 880           | 0.3                  | 1,030         | 0.4                  | 1,210                | 0.5                  |
| 2,500   | 525           | 0.9                  | 610           | 1.0                  | 620                  | 1.0                  |
| 5,000   | 1,405         | 6.1                  | 1,310         | 5.7                  | 1,350                | 6.0                  |
| 10,000  | 3,145         | 26.4                 | 2,770         | 23.5                 | 2,530                | 21.9                 |
| 15,000  | 1,320         | 17.1                 | 1,280         | 16.7                 | 1,185                | 15.7                 |
| 20,000  | 1,340         | 25.4                 | 1,270         | 24.1                 | 1,275                | 24.2                 |
| 25,000  | 745           | 17.5                 | 760           | 17.9                 | 765                  | 18.1                 |
| 50,000  | 2,160         | 82.5                 | 2,025         | 77.5                 | 2,130                | 82.1                 |
| 75,000  | 620           | 38.9                 | 550           | 34.2                 | 635                  | 39.5                 |
| 100,000   | 595           | 55.7                 | 580           | 54.4                 | 635                  | 59.7                 |
| 150,000   | 265           | 33.6                 | 285           | 36.0                 | 325                  | 40.8                 |
| 200,000   | 555           | 107.7                | 585           | 114.1                | 615                  | 120.4                |
| <b>Total</b>  | <b>13,545</b> | <b>412.3</b>         | <b>13,055</b> | <b>405.7</b>         | <b>13,280</b>        | <b>430.0</b>         |

Source: Self Assessment Returns

Numbers are rounded to the nearest 5 and amounts are rounded to the nearest £0.1m. Totals may not sum due to rounding.

Total figures provided in this table are not directly comparable with the amount of investment companies receive through VCT scheme each tax year.

1. Tax year ending 5 April.

2. From 2004-05 the maximum investment eligible for income tax relief under VCT scheme was £200,000 per year.

p. Provisional.

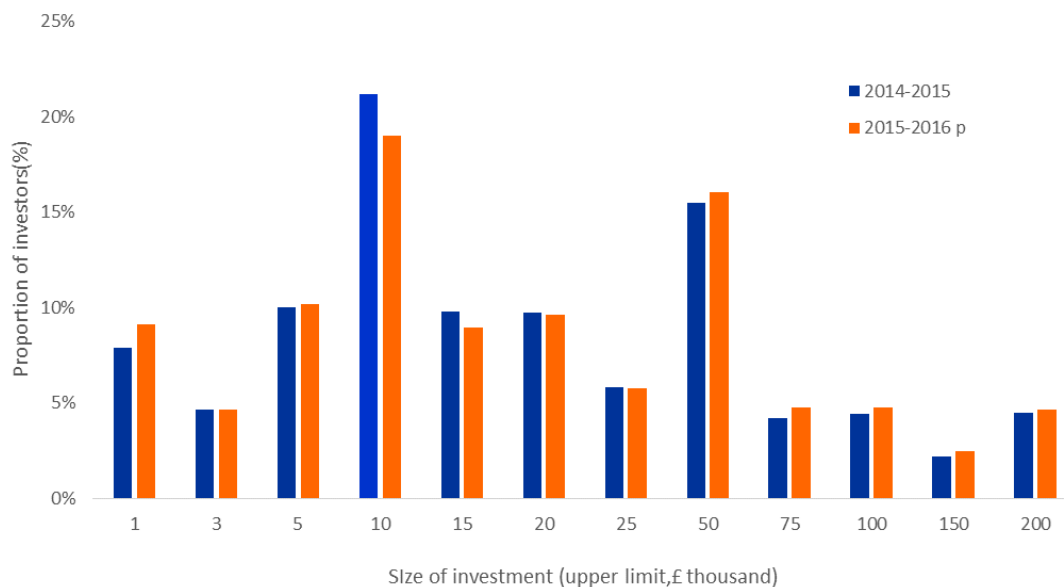
<sup>2</sup> Figures for 2015-16 are provisional. Figures for the most recent year tend to revised upwards by less than 1 per cent between the first and subsequent releases.

Total figures provided in Table 8.9 on the amount of investment on which Income Tax relief was claimed are not directly comparable with the figures on the amount of investment received by companies in a tax year<sup>3</sup>. Some investors may choose to offset the tax liability against the previous year. Also, a small amount of relief would be claimed through the PAYE system.

### 2.3 Proportion of investors claiming VCT relief by size of investment

The majority of investors tend to invest smaller amounts of money into VCT funds. Figure 1 shows that, in 2015-16, 43% of VCT investors claimed tax relief under the VCT scheme for an investment of £10,000 or less, the largest group being the £5,000 to £10,000 group (19%). Only 7% of investors made a claim for an investment over £100,000.

**Figure 1:** Distribution of proportion of investors claiming VCT relief by size of investment (upper limit).



p. Provisional.

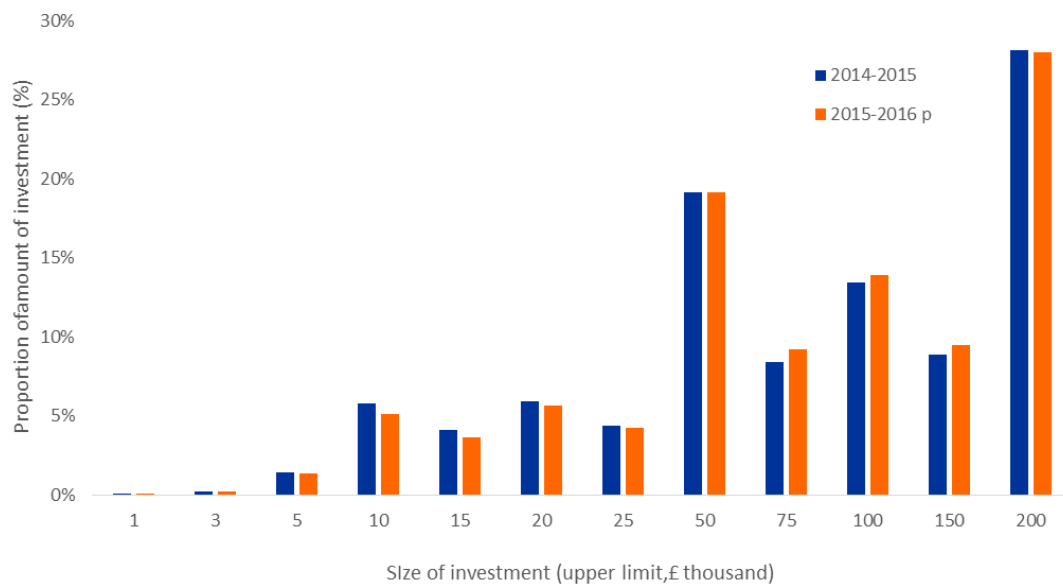
<sup>3</sup> Investment received by companies in tax year <https://www.gov.uk/government/statistics/venture-capital-trusts-number-of-trusts-and-amount-of-funds-raised>

## 2.4 Distribution of VCT investment by size of investment

The largest category of investment by amount in 2015-16 was investments between £150,000 and £200,000; investment in this category accounts for 28% of the total VCT investment.

Figure 2 shows the distribution of the total amount invested on which Income Tax relief was claimed by the size of individuals' investments.

**Figure 2:** Distribution of proportion of investment for which VCT relief was claimed by size of investment (upper limit).



p. Provisional.



## **Section 3: Background information**

### **Data sources**

Self Assessment (SA) returns are used to collect VCT investor-level information. This information will not cover investors making Income Tax relief claims through other systems (e.g. PAYE) or not making any claims.

All figures in this release are based on data extracted in November 2017.

### **Methodology**

The figures presented in this bulletin are based on data from SA returns. As no sampling is necessary, sampling error is not an issue.

### **Revisions to previously published tables**

This release provides the first estimates of the number of investors and the amount claimed through Self-Assessment in value terms for 2015-16. Prior to 2014 these were published as percentages. VCT investors can claim Income Tax relief up to four years after the end of the tax year (6 April to 5 April the following year) in which the investment was made. Therefore, in the next publication, a small number of late claims could result in minor revisions to the provisional figures for 2015-16.

### **User engagement**

HMRC is committed to providing impartial quality statistics that meet our users' needs. We encourage our users to engage with us so that we can improve our National Statistics and identify gaps in the statistics that we produce. Please see the following link for HMRC Statistics "Continuous User Engagement Strategy":

<https://www.gov.uk/government/statistics/hmrc-statistics-continuous-user-engagement-strategy>

If you would like to comment on these statistics or have any enquiries, please use the statistical contacts named at the end of this section or on the cover page.

## **UKSA Assessment**

These statistics have been assessed for compliance with the Code of Practice for Official Statistics by the UK Statistics Authority (UKSA). The assessment report is available on the UKSA website:

<https://www.statisticsauthority.gov.uk/publications-list/?type=assessment-report>

UKSA is an independent body directly accountable to Parliament with the overall objective to promote and safeguard the production and publication of official statistics. It is also required to promote and safeguard the quality and comprehensiveness of official statistics and good practice in relation to official statistics.

## Contact points

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Media enquiries should be directed to the HMRC Press Office contacts listed on the front page of this release.

## Annex A

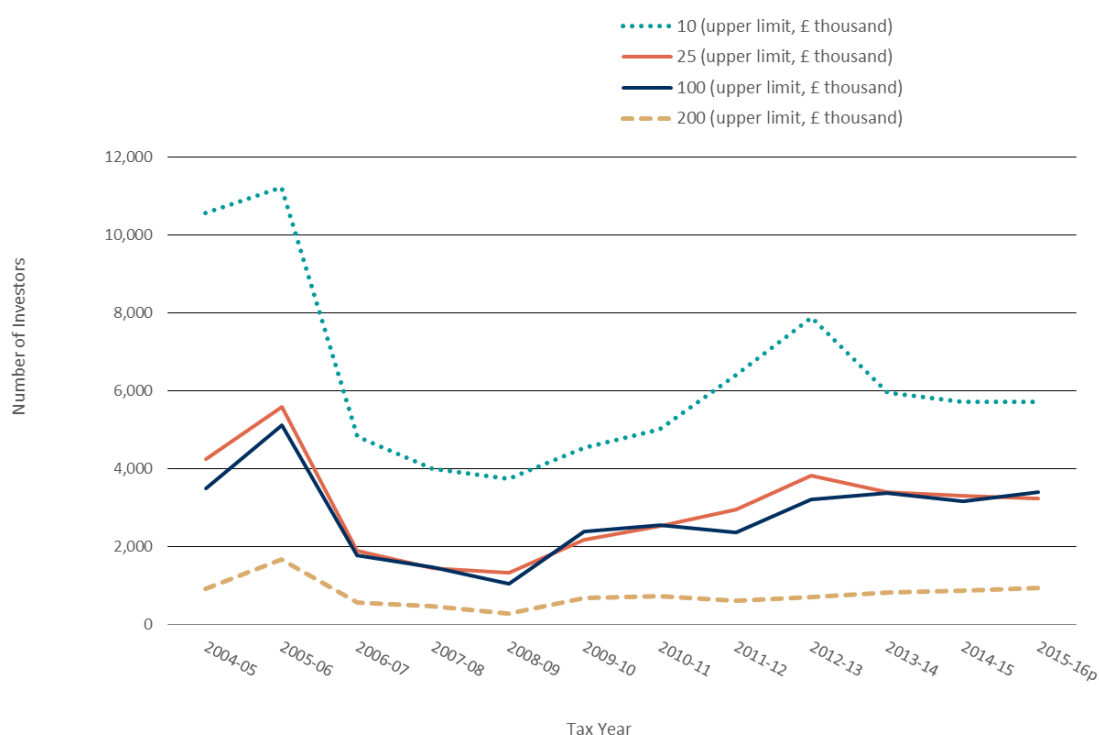
### Venture Capital Trusts: Income Tax relief, distribution of investors and investment, 2004-05 to 2015-16

This annex provides a time series presentation of the breakdown of VCT investment by the number of investors and amount of investment. For this analysis, the investment size categories have been grouped into four bands: £0 to £10,000, over £10,000 to £25,000, over £25,000 to £100,000, and over £100,000 to £200,000.

#### Distribution of investors claiming VCT relief by size of investment

Figure 3 shows the distribution of the number of investors since the upper limits of VCT investment were raised to £200,000 in 2004-05. For all years, those investing £10,000 or less (light blue line) have represented the largest group of investors, while those investing over £100,000 (yellow line) have been the smallest group.

**Figure 3:** Number of investors claiming VCT relief by size of investment (upper limit).



The peak year for all bands, based on the number of investors, was 2005-06. A reduction in the income tax relief rate from 40% to 30% in 2006-07 saw a fall in VCT

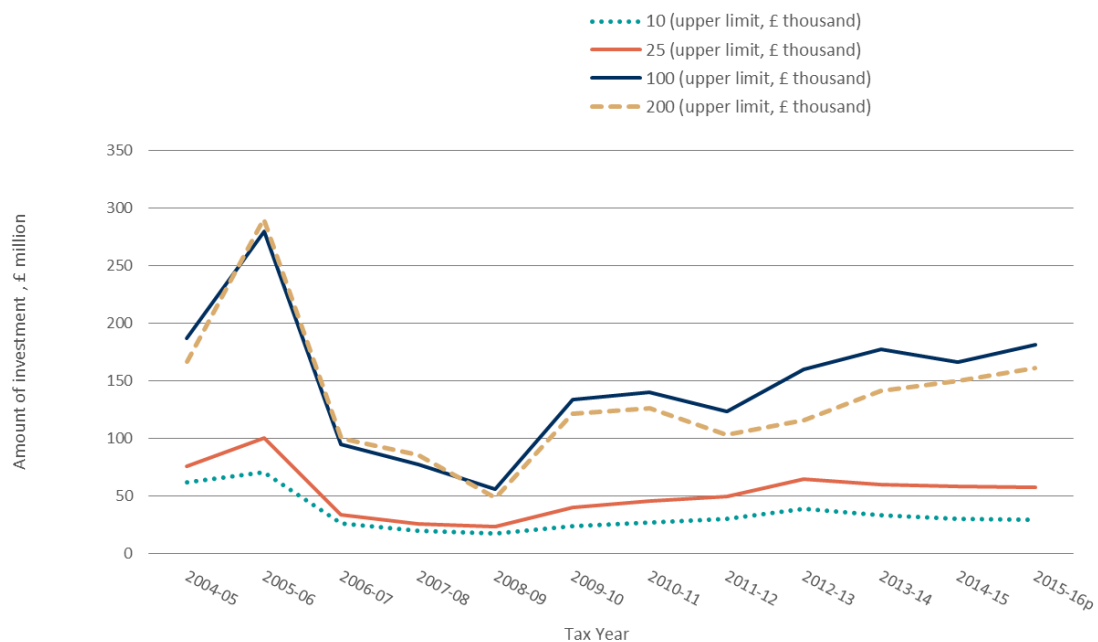
investment across all these investment size bands. Activity continued to fall until 2008-09, which represented a low point for each band.

Between 2008-09 and 2012-13 there was growth in all four bands. Since 2012-13, the numbers of investors investing over £25,000 have continued to grow. The numbers in the lower bands fell sharply in 2013-14 but have levelled out since then. In 2015-16 the number investing up to £10,000 remained almost unchanged from 2014-15, while the number investing between £10,000 and £25,000 fell by 2%. There was an 8% rise in the number of investors in the £25,000-£100,000 band, reversing the dip seen in 2014-15. The number of those investing between £100,000 and £200,000 continued to rise in 2015-16 with an 8% increase from the previous year.

### Distribution of overall investment for which VCT relief was claimed by size of investment

Figure 4 shows that the largest amount of investment is accounted for by the £25,000-£100,000 band and this has been the case since 2008-09. Investments of up to £10,000 have made up the smallest proportion of total investment in all years.

**Figure 4:** Distribution of overall investment for which VCT relief was claimed by size of investment (upper limit).



The amount of investment follows a similar trend to the number of investors, with 2005-06 being the peak year for all groups. The relief rate reduction in 2006-07 from 40% to 30% saw a sharp drop in activity with each band falling to only a third of the 2005-06 amounts. The decline continued, reaching a low in 2008-09 for all bands.

Since 2008-09, the amount of investment in the higher bands has generally been on a rising trend. Investment in the lower bands continued to grow until 2012-13 but has been declining slightly since then. Between 2014-15 and 2015-16 there was a 4% fall in the investment amount for investments up to £10,000, while investment in the £10,000-£25,000 band fell by 1%. Investments in the £25,000-£100,000 and £100,000-£200,000 bands continued to grow between 2014-15 and 2015-16, with increases of 9% and 7% respectively.