

2016 No. 1192

INCOME TAX

The Venture Capital Trust (Amendment) Regulations 2016

<i>Made</i>	- - - -	<i>7th December 2016</i>
<i>Laid before the House of Commons</i>		<i>8th December 2016</i>
<i>Coming into force</i>	- -	<i>29th December 2016</i>

The Treasury make the following Regulations in exercise of the powers conferred by sections 272 and 284(1)(d) of the Income Tax Act 2007(a).

Citation, commencement and effect

1.—(1) These Regulations may be cited as the Venture Capital Trust (Amendment) Regulations 2016 and come into force on 29th December 2016.

(2) These Regulations have effect for each specified period ending on or after 31st December 2016.

(3) For the purposes of this regulation, “specified period” has the meaning given in regulation 22(2) of the Venture Capital Trust Regulations 1995(b).

Amendments to the Venture Capital Trust Regulations 1995

2. The Venture Capital Trust Regulations 1995 are amended as follows.

Regulation 22 (return containing particulars of investments)

3.—(1) Regulation 22 is amended as follows.

(2) In paragraph (1), after “paragraph (4)” insert “and regulation 22A”.

(3) In paragraph (3), for “shorter” substitute “earlier”.

(4) In paragraph (4)—

(a) at the end of sub-paragraphs (d)(ii) and (e)(iii), omit “and”, and

(b) after sub-paragraph (e)(iv) insert—

“, and

(v) the value at which the investment was disposed of;

(f) in respect of each fund manager of the company during the specified period—

(i) the name and address of its registered or principal office, and

(ii) its Financial Services Register reference number;

(a) 2007 c. 3. Section 284(1)(d) was amended by paragraph 21(1)(c) of Schedule 16 to the Finance Act 2007 (c. 11) and paragraph 5(2) of Schedule 10 to the Finance Act 2014 (c. 26).

(b) S.I. 1995/1979; relevant amending instruments are S.I. 1999/819 and 2008/1893.

- (g) where a new investment was made during the specified period—
 - (i) immediately before the relevant holding was issued, the value of the relevant company’s gross assets, or if it was a parent company(a), the value of the group assets(b),
 - (ii) the total investment in the relevant company at the investment date (within the meaning given by section 280B(3A))(c), less the value of the new investment,
 - (iii) a description of each qualifying activity(d), whether carried on by the relevant company(e) or one of the companies mentioned in section 291(7) and (8), for the purposes of which, at the time the relevant holding(f) was issued, the money raised was intended to be used,
 - (iv) when the relevant holding was issued, the relevant company’s full-time equivalent employee number(g), or if it was a parent company, the sum of the full-time equivalent employee number for it and each of its qualifying subsidiaries(h), and
 - (v) whether or not the relevant company received a non-statutory opinion from Her Majesty’s Revenue and Customs on the eligibility of that investment as a qualifying holding, and if it did—
 - (aa) whether that opinion indicated that the investment would or would not be likely to be eligible as such, and
 - (bb) the date of that opinion;
- (h) where a new investment was made during the specified period, but after the end of the initial investing period(i) of the relevant company—
 - (i) under which of conditions A, B or C of section 280C(j) the investment was made, and
 - (ii) the date of the relevant first commercial sale(k) made by the relevant company; and
- (i) where a new investment was made during the specified period and the relevant company was a knowledge-intensive company(l) on the date the investment was made—
 - (i) whether or not the total investment in the relevant company at the investment date exceeded the amount specified in section 280B(2)(b)(ii)(m),
 - (ii) whether or not the investment was made after the period specified in section 280C(3)(b), and
 - (iii) whether or not the full-time equivalent employee number provided further to sub-paragraph (g)(iv) exceeded the number specified in section 297A(3A)(b)(n) at the time the relevant holding was issued.

(a) The meaning of “parent company” is given by section 332.
 (b) The meaning of “the value of the group assets” is given by section 297(3).
 (c) Section 280B(3A) was inserted by paragraph 4 of Schedule 6 to the Finance (No. 2) Act 2015.
 (d) The meaning of “qualifying activity” is given by section 291.
 (e) The meaning of “the relevant company” is given by section 286(1).
 (f) The meaning of “relevant holding” is given by section 286(1).
 (g) See sections 297A(3) and (4) for how to calculate the full-time equivalent employee number. Sections 297A(3) and (4) were inserted by paragraph 3 of Schedule 16 to the Finance Act 2007. Section 297A(4) was amended by paragraph 72 of Schedule 7 to the Children and Families Act 2014 (c. 6).
 (h) The meaning of “qualifying subsidiary” is given by section 302.
 (i) The meaning of “initial investing period” is given by section 294A(2). Section 294A was inserted by paragraph 11 of Schedule 6 to the Finance (No. 2) Act 2015 (c. 33).
 (j) Section 280C was inserted by paragraph 5 of Schedule 6 to the Finance (No. 2) Act 2015.
 (k) The meaning of “relevant first commercial sale” is given by section 280C(7).
 (l) The meaning of “knowledge-intensive company” is given by section 331A. Section 331A was inserted by paragraph 20 of Schedule 6 to the Finance (No. 2) Act 2015.
 (m) Section 280B(2) was inserted by paragraph 3 of Schedule 8 to the Finance Act 2012 (c. 14) and amended by paragraph 4 of Schedule 6 to the Finance (No. 2) Act 2015.
 (n) Section 297A(3A) was inserted by paragraph 12 of Schedule 6 to the Finance (No. 2) Act 2015.

(4A) Expressions used in Chapter 4 of Part 6 which are also used in sub-paragraphs (g), (h) and (i) of paragraph (4) have the same meaning in those sub-paragraphs as they do in that Chapter.”

Regulation 22A (particulars to be returned in respect of relevant investments, raised money and derived money relating to the traceable period)

4. After regulation 22 insert—

“Particulars to be returned in respect of relevant investments, raised money and derived money relating to the traceable period

22A.—(1) Where condition one or condition two applies, the return required by regulation 22(1) must also contain the particulars specified in paragraphs (4) and (5).

(2) Condition one is that on the last day of the specified period—

- (a) the company held a relevant investment, and
- (b) that relevant investment would not have been capable of being regarded as comprised in the company’s qualifying holdings on that day unless it had been acquired using raised money or derived money.

(3) Condition two is that—

- (a) on the last day of the specified period the company held derived money,
- (b) on that day, the company maintained information identifying derived money or relevant investments acquired using raised money or derived money, and
- (c) the purpose or one of the main purposes of maintaining that information was to be able to make any future relevant investment which would not be capable of being comprised in the company’s qualifying holdings unless it was made using derived money.

(4) The particulars specified are—

- (a) for each relevant investment held at any time during the specified period which the company acquired using raised money or derived money—
 - (i) where the investment was acquired using raised money, the date or dates the company raised the money used to acquire that investment,
 - (ii) where the investment was acquired using derived money, the date or dates the company raised the money from which that money derived,
 - (iii) the name, company registration number and address of the registered or principal office of the company in which the relevant investment was made, and
 - (iv) if held on the last day of the specified period, the value of the relevant investment on that day; or
- (b) a statement by the company that it did not hold any such relevant investments during the specified period.

(5) The particulars specified are—

- (a) for derived money held by the company on the last day of the specified period—
 - (i) the amount of that money, and
 - (ii) the date or dates the company raised the money from which that money derived; or
- (b) a statement by the company that it did not hold any such money on that date.

(6) In this regulation—

“derived money” means money, including money in the company’s possession or a sum owed to it over which it has account-holder’s rights, which is derived from the

investment by the company of raised money, and section 285(5) and (6) has effect for interpreting “account-holder’s rights”;

“raised money” means money raised by the issue during the traceable period of shares in or securities of the company;

“a relevant investment” means shares in or securities of another company which are held by the company;

“the specified period” has the meaning given in regulation 22(2);

“the traceable period” means the period beginning on 6th April 1995 and ending on 5th April 2008.”

Regulation 23 (records to be kept by trust company)

5. In paragraphs (2)(a) and (b) of regulation 23, for “six” substitute “ten”.

*Stephen Barclay
Andrew Griffiths*

7th December 2016

Two of the Lords Commissioners of Her Majesty’s Treasury

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Venture Capital Trust Regulations 1995 (S.I. 1995/1979) (“the VCT Regulations”) to require a venture capital trust (VCT) to include additional information about the VCT and its investments in the annual return to HMRC relating to accounting periods ending on or after 31st December 2016. The additional information requirements apply in respect of the entire accounting period.

Regulation 3 inserts into regulation 22 of the VCT Regulations new information requirements about the VCT and details of its investments. This regulation also corrects a minor error in relation to filing dates in regulation 22(3) of the VCT Regulations. Regulation 4 inserts new regulation 22A into the VCT Regulations, which requires the annual return of a VCT that meets the conditions in that regulation to include details of its use of money raised in the period from 6th April 1995 to 5th April 2008. Regulation 5 increases the time for which a VCT must keep records under regulation 23 of the VCT Regulations from six years to ten years.

A Tax Information and Impact Note covering this instrument will be published on the website at <https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins>

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