
Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2015, Paragraph 4. (See end of Document for details)

SCHEDULES

SCHEDULE 6

VENTURE CAPITAL TRUSTS

VCT approvals

- 4 (1) Section 280B (the investment limits condition) is amended as follows.
- (2) In subsection (2) for the words from “if” to the end substitute “if one or more of the following applies—
- (a) the total annual investment in the relevant company exceeds the amount for the time being specified in section 292A(1);
 - (b) the total investment in the relevant company at the investment date exceeds the amount specified in—
 - (i) if the relevant company is a knowledge-intensive company (see section 331A) at the investment date, section 292AA(1)(a), and
 - (ii) in any other case, section 292AA(1)(b);
 - (c) condition A or B is met and the total investment in the relevant company at any time during the 5-year post-investment period exceeds the amount specified in—
 - (i) if the relevant company is a knowledge-intensive company at the investment date, section 292AB(4)(a), and
 - (ii) in any other case, section 292AB(4)(b).”
- (3) After subsection (2) insert—
- “(2A) In this section—
- “the investment date” means the date the current investment is made;
 - “the 5-year post-investment period” means the period of 5 years beginning with the day after the investment date.”
- (4) For subsection (3) substitute—
- “(3) For the purposes of subsection (2)(a), the total annual investment in the relevant company is the sum of—
- (a) the amount of the current investment,
 - (b) the total amount of other relevant investments made (whether or not by the investor), in the year ending with the day on which the current investment is made, in—
 - (i) the relevant company, or
 - (ii) a company that has at any time in that year been a 51% subsidiary of the relevant company,

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- (including investments made in such a company before it became such a subsidiary but, if it is not such a subsidiary at the end of that year, not investments made in it after it last ceased to be such a subsidiary), and
- (c) the total amount of any other relevant investments (whether or not made by the investor) which are relevant imported investments.
- (3A) For the purposes of subsection (2)(b), the total investment in the relevant company at the investment date is the sum of—
- (a) the amount of the current investment,
- (b) the total amount of other relevant investments made (whether or not by the investor), on or before the investment date, in—
- (i) the relevant company, or
- (ii) a company that is at the investment date, or has at any time before that date been, a 51% subsidiary of the relevant company,
- (including investments made in such a company before it became such a subsidiary but, if it is not such a subsidiary at the investment date, not investments made in it after it last ceased to be such a subsidiary), and
- (c) the total amount of any other relevant investments (whether or not made by the investor) which are relevant imported investments.
- (3B) For the purposes of subsection (2)(c)—
- (a) condition A is that—
- (i) a company becomes a 51% subsidiary of the relevant company during the 5-year post-investment period,
- (ii) all or part of the money raised by the current investment is employed for the purposes of an activity which consists wholly or in part of a trade carried on by that company, and
- (iii) that trade (or a part of it) was carried on by that company before it became a 51% subsidiary as mentioned in subparagraph (i);
- (b) condition B is that all or part of the money raised by the current investment is employed for the purposes of an activity which consists wholly or in part of a trade which, during the 5-year post-investment period, becomes a relevant transferred trade (see subsection (3F)).
- (3C) For the purposes of subsection (2)(c), the total investment in the relevant company at a time during the 5-year post-investment period (“the relevant time”) is the sum of—
- (a) the amount of the current investment,
- (b) the total amount of other relevant investments made, before the relevant time (whether or not by the investor), in—
- (i) the relevant company, or
- (ii) a company that at the relevant time is, or before that time has been, a 51% subsidiary of the relevant company,
- (including investments made in such a company before it became such a subsidiary but, if it is not such a subsidiary at the relevant

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time, not investments made in it after it last ceased to be such a subsidiary), and

- (c) the total amount of any other relevant investments (whether or not made by the investor) which are relevant imported investments.

(3D) In this section “relevant imported investment” means—

- (a) a relevant investment
 - (i) which is made in a company at a qualifying time, and
 - (ii) the money raised by which is employed for the purposes of a trade carried on by another company that is, at a qualifying time, a 51% subsidiary of the relevant company (but, if at the latest possible qualifying time it has ceased to be such a subsidiary, ignoring any money so employed after it last ceased to be such a subsidiary), or
- (b) a relevant investment—
 - (i) which is made in a company at a qualifying time, and
 - (ii) the money raised by which is employed for the purposes of a trade carried on by that company or another person, where, at a qualifying time but after that investment was made, that trade (or a part of it) became a relevant transferred trade (see subsection (3F)).

(3E) In subsection (3D) “a qualifying time” means—

- (a) for the purposes of subsection (3), any time in the year mentioned in that subsection,
- (b) for the purposes of subsection (3A), any time on or before the investment date,
- (c) for the purposes of subsection (3C), any time before the relevant time.

(3F) For the purposes of this section if—

- (a) a trade is transferred—
 - (i) to the relevant company,
 - (ii) to a company that is a 51% subsidiary of the relevant company, or
 - (iii) to a partnership of which a company within subparagraph (i) or (ii) is a member,(including where it is transferred to a company within subparagraph (ii), or a partnership of which such a company is a member, before the company became such a subsidiary), and
- (b) the trade, or a part of it, was previously (at any time) carried on by another person,

the trade or part mentioned in paragraph (b) becomes a “relevant transferred trade” at the time it is transferred as mentioned in paragraph (a).”

(5) In subsection (4)—

- (a) omit “or” at the end of paragraph (b) and after that paragraph insert—
 - “(ba) an investment is made in the company and (at any time) the company provides a compliance statement under section 257PB (tax relief for social investments) in respect of the investment, or”, and

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- (b) in paragraph (c) for “Community Guidelines on Risk Capital Investments in Small and Medium-sized Enterprises” substitute “ European Commission's Guidelines on State aid to promote risk finance investment ”.
- (6) In subsection (5) for “and (3)” substitute “ to (3E) ”.
- (7) After subsection (5) insert—
 - “(6) Section 257KB applies in determining for those purposes when an investment within subsection (4)(ba) is made as it applies for the purposes of Part 5B (tax relief on social investments).
 - (7) If only a proportion of the money raised by a relevant investment is employed for the purposes of a trade which became a relevant transferred trade as mentioned in subsection (3D), only the corresponding proportion of the relevant investment falls within that subsection.
- (8) For the purposes of this section—
 - (a) references to a trade include a part of a trade (and references to the carrying on of a trade are to be construed accordingly), and
 - (b) when determining the amount of money raised by a relevant investment which has been employed for the purposes of a trade such apportionments are to be made as are just and reasonable.
- (9) In this section “trade” includes—
 - (a) any business or profession,
 - (b) so far as not within paragraph (a), the carrying on of research and development activities from which it is intended a trade will be derived or will benefit, and
 - (c) preparing to carry on a trade.”

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