SCHEDULES

SCHEDULE 16

Section 51

VENTURE CAPITAL SCHEMES ETC

PART 1

LIMIT ON NUMBER OF EMPLOYEES OF COMPANY IN WHICH INVESTMENT IS MADE

Corporate venturing scheme

1 (1) Part 3 of Schedule 15 to FA 2000 (requirements as to issuing company) is amended as follows.

(2) In paragraph 15 (introduction to Part) after paragraph (f) insert—

"(fa) number of employees (see paragraph 22A); and".

(3) After paragraph 22 insert—

"The number of employees requirement

22A (1) If the issuing company is a single company, the full-time equivalent employee number for it must be less than 50 when the relevant shares are issued.

(2) If the issuing company is a parent company, the sum of—

(a) the full-time equivalent employee number for it, and

(b) the full-time equivalent employee numbers for each of its qualifying subsidiaries,

must be less than 50 when the relevant shares are issued.

(3) The full-time equivalent employee number for a company is calculated as follows—

Step 1

Find the number of full-time employees of the company.

Step 2

Add, for each employee of the company who is not a full-time employee, such fraction as is just and reasonable.

The result is the full-time equivalent employee number.

(4) In this paragraph references to an employee—

(a) include a director, but

(b) do not include—

(i) an employee on maternity or paternity leave, or

(ii) a student on vocational training."

(4) The amendments made by this paragraph do not have effect in relation to shares issued before the day on which this Act is passed.

Enterprise investment scheme

2 (1) Chapter 4 of Part 5 of ITA 2007 (the issuing company) is amended as follows.

(2) In section 180 (overview of Chapter 4), after paragraph (e) insert—

"(ea) number of employees (see section 186A),".

(3) After section 186 insert—

"**186A The number of employees requirement**

(1) If the issuing company is a single company, the full-time equivalent employee number for it must be less than 50 when the relevant shares are issued.

(2) If the issuing company is a parent company, the sum of—

(a) the full-time equivalent employee number for it, and

(b) the full-time equivalent employee numbers for each of its qualifying subsidiaries,

must be less than 50 when the relevant shares are issued.

(3) The full-time equivalent employee number for a company is calculated as follows—

Step 1

Find the number of full-time employees of the company.

Step 2

Add, for each employee of the company who is not a full-time employee, such fraction as is just and reasonable.

The result is the full-time equivalent employee number.

(4) In this section references to an employee—

(a) include a director, but

(b) do not include—

(i) an employee on maternity or paternity leave, or

(ii) a student on vocational training."

(4) The amendments made by this paragraph do not have effect in relation to—

(a) shares issued before the day on which this Act is passed, or

(b) shares issued to the managers of an approved fund which closed before that day.

(5) For the purposes of sub-paragraph (4)(b)—

(a) "the managers of an approved fund" has the same meaning as in section 251 of ITA 2007, and

(b) the reference to shares issued to the managers of an approved fund is to shares issued to those managers as nominee for an individual who has invested in the fund.

Venture capital trusts

3 (1) Part 6 of ITA 2007 is amended as follows.

(2) In section 286(3) (qualifying holdings: introduction) after paragraph (j) insert—

"(ja) number of employees (see section 297A),".

(3) After section 297 insert—

"**297A The number of employees requirement**

(1) If the relevant company is a single company, the full-time equivalent employee number for it must be less than 50 when the relevant holding is issued.

(2) If the relevant company is a parent company, the sum of—

(a) the full-time equivalent employee number for it, and

(b) the full-time equivalent employee numbers for each of its qualifying subsidiaries,

must be less than 50 when the relevant holding is issued.

(3) The full-time equivalent employee number for a company is calculated as follows—

Step 1

Find the number of full-time employees of the company.

Step 2

Add, for each employee of the company who is not a full-time employee, such fraction as is just and reasonable.

The result is the full-time equivalent employee number.

(4) In this section references to an employee—

(a) include a director, but

(b) do not include—

(i) an employee on maternity or paternity leave, or

(ii) a student on vocational training."

(4) In section 327 (certain requirements of Chapter 4 to be treated as met)—

(a) in subsection (1), at the end insert ", and

section 297A (the number of employees requirement).";

(b) in subsection (4)(b) for "and 297" substitute ", 297 and 297A".

(5) This paragraph is deemed to have come into force on 6th April 2007.

(6) The amendments made by this paragraph do not have effect in relation to—

(a) a relevant holding issued before that date, or

(b) a relevant holding acquired by a company ("the investing company") by means of the investment of protected money.

(7) For the purposes of sub-paragraph (6)(b), "protected money" is—

(a) money raised by the issue before 6th April 2007 of shares in or securities of the investing company, or

(b) money derived from the investment of such money.

PART 2

LIMIT ON AMOUNT RAISED ANNUALLY BY COMPANY THROUGH RISK CAPITAL SCHEMES

Corporate venturing scheme

4 (1) Schedule 15 to FA 2000 is amended as follows.

(2) In paragraph 34 (introduction to Part) after sub-paragraph (a) insert—

"(aa) the maximum amount raised annually through risk capital schemes (see paragraph 35A);".

(3) After paragraph 35 insert—

"Requirement as to maximum amount raised annually through risk capital schemes

35A (1) The total amount of relevant investments made in the issuing company in the year ending with the date the relevant shares are issued must not exceed £2 million.

(2) In sub-paragraph (1), the reference to relevant investments made in the issuing company includes relevant investments made in any company that is, or has at any time in the year mentioned there been, a subsidiary of the issuing company (whether or not it was such a subsidiary when the investment was made).

(3) A "relevant investment" is made in a company if—

(a) an investment (of any kind) in the company is made by a VCT, or

(b) the company issues shares (money having been subscribed for them), and (at any time) the company provides—

(i) a compliance statement under paragraph 42, or

(ii) a compliance statement under section 205 of ITA 2007 (enterprise investment scheme),

in respect of the shares.

(4) An investment within sub-paragraph (3)(b) is regarded as made when the shares are issued."

(4) In paragraph 63(1)(a) (withdrawal of relief: interest), after sub-paragraph (i) insert—

"(ia) paragraph 35A (maximum amount raised annually through risk capital schemes);".

Enterprise investment scheme

5 (1) Part 5 of ITA 2007 is amended as follows.

(2) In section 172 (overview of Chapter), after paragraph (a) insert—

"(aa) the maximum amount raised annually through risk capital schemes (see section 173A),".

(3) After section 173 insert—

"**173A The maximum amount raised annually through risk capital schemes requirement**

(1) The total amount of relevant investments made in the issuing company in the year ending with the date the relevant shares are issued must not exceed £2 million.

(2) In subsection (1), the reference to relevant investments made in the issuing company includes relevant investments made in any company that is, or has at any time in the year mentioned there been, a subsidiary of the issuing company (whether or not it was such a subsidiary when the investment was made).

(3) A "relevant investment" is made in a company if—

(a) an investment (of any kind) in the company is made by a VCT, or

(b) the company issues shares (money having been subscribed for them), and (at any time) the company provides—

(i) a compliance statement under section 205, or

(ii) a compliance statement under paragraph 42 of Schedule 15 to FA 2000 (corporate venturing scheme),

in respect of the shares.

(4) An investment within subsection (3)(b) is regarded as made when the shares are issued."

(4) In section 239(1) (withdrawal etc of relief: date from which interest is chargeable), in column 1 of the Table, after "163," insert "173A".

(5) The amendments made by this paragraph do not have effect in relation to shares issued to the managers of an approved fund which closed before the day on which this Act is passed.

(6) Paragraph 2(5) (meaning of "the managers of an approved fund" etc) applies for the purposes of sub-paragraph (5).

Venture capital trusts

6 (1) Chapter 4 of Part 6 of ITA 2007 (qualifying holdings) is amended as follows.

(2) In section 286(3) (introduction) after paragraph (e) insert—

"(ea) the maximum amount raised annually through risk capital schemes (see section 292A),".

(3) After section 292 insert—

"**292A The maximum amount raised annually through risk capital schemes requirement**

(1) The total amount of relevant investments made in the relevant company in the year ending with the date the relevant holding is issued must not exceed £2 million.

(2) In subsection (1), the reference to relevant investments made in the relevant company includes relevant investments made in any company that is, or has

at any time in the year mentioned there been, a subsidiary of the relevant company (whether or not it was such a subsidiary when the investment was made).

(3) A "relevant investment" is made in a company if—

(a) an investment (of any kind) in the company is made by a VCT, or

(b) the company issues shares (money having been subscribed for them), and (at any time) the company provides—

(i) a compliance statement under section 205 (enterprise investment scheme), or

(ii) a compliance statement under paragraph 42 of Schedule 15 to FA 2000 (corporate venturing scheme),

in respect of the shares.

(4) For the purposes of subsections (1) and (2), an investment within subsection (3)(b) is regarded as made when the shares are issued.

(5) Subsection (6) applies if, by virtue of the provision of a compliance statement under section 205 above or paragraph 42 of Schedule 15 to FA 2000, the requirement of this section is not met.

(6) The requirement is to be treated as having been met throughout the period—

(a) beginning with the time the relevant holding was issued, and

(b) ending with the time the compliance statement was provided."

(4) This paragraph is deemed to have come into force on 6th April 2007.

(5) The amendments made by this paragraph do not have effect in relation to an investment made by a VCT of protected money.

(6) "Protected money" means—

(a) money raised by the issue on or before 5th April 2007 of shares in or securities of the VCT, and

(b) money derived from the investment of such money.

Enterprise investment scheme: reinvestment

7 (1) Schedule 5B to TCGA 1992 is amended as follows.

(2) In paragraph 1 (application of Schedule)—

(a) in sub-paragraph (2), after paragraph (d) insert—

"(da) the total amount of relevant investments made in the company in the year ending with the date the shares are issued does not exceed £2 million,", and

(b) after sub-paragraph (5) insert—

"(6) Section 173A(3) and (4) of ITA 2007 (meaning of "relevant investment") apply for the purposes of sub-paragraph (2)(da).

(7) In sub-paragraph (2)(da), the reference to relevant investments made in the company includes relevant investments made in a company that is, or has at any time in the year mentioned there been, a subsidiary of the company (whether or not it was such a subsidiary when the investment was made)."

(3) In paragraph 1A(1) (failure of conditions of application), after "(2)(b)" insert "or (2)(da)".

Transitional provision

8 (1) This paragraph applies for the purposes of—

(a) paragraph 35A of Schedule 15 to FA 2000,

(b) section 173A of ITA 2007 (including that section as applied by paragraph 1(6) of Schedule 5B to TCGA 1992), and

(c) section 292A of ITA 2007.

(2) References to investments made by a VCT do not include—

(a) investments made on or before 5th April 2007,

(b) investments of protected money (as defined by paragraph 6(6)).

(3) References to shares in respect of which compliance statements are provided do not include—

(a) shares issued before the day on which this Act is passed, or

(b) shares issued to the managers of an approved fund which closed before that day.

(4) Paragraph 2(5) (meaning of "the managers of an approved fund" etc) applies for the purposes of sub-paragraph (3)(b) above.

PART 3

EXCLUDED ACTIVITIES: RECEIPT OF ROYALTIES AND LICENCE FEES

Corporate venturing scheme

9 (1) Paragraph 29 of Schedule 15 to FA 2000 is amended as follows.

(2) In sub-paragraph (3), for paragraphs (a) and (b) substitute—

"(a) by the issuing company, or

(b) by a company which was a qualifying subsidiary of the issuing company throughout a period during which it created the whole or greater part (in terms of value) of the intangible asset."

(3) After sub-paragraph (6) insert—

"(7) If—

(a) the issuing company acquired all the shares ("old shares") in another company ("the old company") at a time when the only shares issued in the issuing company were subscriber shares, and

(b) the consideration for the old shares consisted wholly of the issue of shares in the issuing company,

references in sub-paragraph (3) to the issuing company include the old company."

10 In paragraph 86(2) (substitution of new shares for old shares), after "Schedule", in the first place it occurs, insert "(except paragraph 29(7))".

Enterprise investment scheme

11 (1) In section 297 of ICTA (qualifying trades)—

(a) in subsection (5), for paragraphs (a) and (b) substitute—

"(a) by the company mentioned in section 293(1), or

(b) by a company which was a subsidiary of that company throughout a period during which it created the whole or greater part (in terms of value) of the intangible asset.",

(b) in subsection (5A), omit paragraphs (b) and (c) and the words after paragraph (c), and

(c) after subsection (5C) insert—

"(5D) If—

(a) the company mentioned in section 293(1) ("the issuing company") acquired all the shares ("old shares") in another company ("the old company") at a time when the only shares issued in the issuing company were subscriber shares, and

(b) the consideration for the old shares consisted wholly of the issue of shares in the issuing company,

references in subsection (5) above to the company mentioned in section 293(1) include the old company."

(2) In section 304A of that Act (acquisition of share capital by new company)—

(a) in subsection (3), after "Chapter" insert "(except section 297(5D))", and

(b) in subsection (4), after "Chapter" insert "(except section 297(5D))".

(3) In section 576B of that Act (share loss relief: the trading requirement), after subsection (8) insert—

"(9) In section 195 of ITA 2007 as applied by subsection (7) for the purposes mentioned in subsection (8), references to the issuing company are to be read as references to the company mentioned in subsection (1)."

(4) In section 576K of that Act (share loss relief: substitution of new shares for old), after subsection (3) insert—

"(4) Nothing in subsection (2) applies in relation to section 195(7) of ITA 2007 as applied by section 576B(7) above for the purposes mentioned in section 576B(8)."

(5) In section 137 of ITA 2007 (share loss relief: trading requirement for shares to which EIS relief not attributable), after subsection (8) insert—

"(9) In section 195 as applied by subsection (7) for the purposes mentioned in subsection (8), references to the issuing company are to be read as references to the company mentioned in subsection (1)."

(6) In section 146 of that Act (share loss relief: substitution of new shares for old), after subsection (2) insert—

"(3) Nothing in subsection (2) applies in relation to section 195(7) as applied by section 137(7) for the purposes mentioned in section 137(8)."

(7) In section 195 of ITA 2007 (EIS: excluded activities: receipt of royalties and licence fees)—

(a) in subsection (4), for paragraphs (a) and (b) substitute—

"(a) by the issuing company, or

(b) by a company which was a qualifying subsidiary of the issuing company throughout a period during which it created the whole or greater part (in terms of value) of the intangible asset.",

(b) in subsection (6), omit the definition of "holding company", and

(c) after that subsection insert—

"(7) If—

(a) the issuing company acquired all the shares ("old shares") in another company ("the old company") at a time when the only shares issued in the issuing company were subscriber shares, and

(b) the consideration for the old shares consisted wholly of the issue of shares in the issuing company,

references in subsection (4) to the issuing company include the old company."

(8) In section 249 of that Act (substitution of new shares for old shares)—

(a) in subsection (2), after "Part" insert "(except section 195(7))", and

(b) in subsection (4), after "Part" insert "(except section 195(7))".

Venture capital trusts

12 (1) Section 306 of ITA 2007 (qualifying holdings) is amended as follows.

(2) In subsection (4), for paragraphs (a) and (b) substitute—

"(a) by the relevant company, or

(b) by a company which was a qualifying subsidiary of the relevant company throughout a period during which it created the whole or greater part (in terms of value) of the intangible asset."

(3) In subsection (6), omit the definition of "holding company".

(4) After that subsection insert—

"(7) If—

(a) the relevant company acquired all the shares ("old shares") in another company ("the old company") at a time when the only shares issued in the relevant company were subscriber shares, and

(b) the consideration for the old shares consisted wholly of the issue of shares in the relevant company,

references in subsection (4) to the relevant company include the old company."

Commencement

13 This Part of this Schedule is deemed to have come into force on 6th April 2007.

Transitional provision

14 (1) This paragraph applies if—

(a) shares in or securities of a company ("the company") were issued before 6th April 2007,

(b) immediately before that date—

(i) the right to exploit an intangible asset ("the asset") was vested in the company or a subsidiary of it (in either case, whether alone or jointly with others), and

(ii) the asset was a relevant intangible asset,

(c) at any time on or after that date, an activity carried on by the company or a subsidiary of it would be an excluded activity by reason only of the receipt of royalties or licence fees attributable to the exploitation of the asset, and

(d) the activity would not be an excluded activity if the amendments made by this Part of this Schedule had not been made.

(2) The activity is to be treated, in relation to those shares or securities, as not being an excluded activity at that time.

(3) In sub-paragraphs (1) and (2), references to an excluded activity are to be read—

(a) for the purposes of Chapter 3 of Part 7 of ICTA (including any provision of that Chapter as applied by any other provision), as references to—

(i) an activity within section 293(3B)(a) of ICTA, or

(ii) an activity within subsection (2) of section 297 of ICTA which causes a trade to fail to comply with that section,

(b) for the purposes of Schedule 15 to FA 2000, as references to an excluded activity other than the receiving of royalties or licence fees within paragraph 29 of that Schedule in circumstances where the requirements of sub-paragraph (2) of that paragraph are met.

PART 4

MEANING OF "QUALIFYING 90% SUBSIDIARY"

Corporate venturing scheme

15 (1) Schedule 15 to FA 2000 is amended as follows.

(2) In paragraph 23 (trading activities requirement), omit sub-paragraphs (10) and (11).

(3) After that paragraph insert—

"Meaning of "qualifying 90% subsidiary"

23A (1) For the purposes of this Schedule, a company ("the subsidiary") is a qualifying 90% subsidiary of the issuing company if the following conditions are met—

(a) the issuing company possesses not less than 90% of the issued share capital of, and not less than 90% of the voting power in, the subsidiary;

(b) the issuing company would—

(i) in the event of a winding up of the subsidiary, or

(ii) in any other circumstances,

be beneficially entitled to receive not less than 90% of the assets of the subsidiary which would then be available for distribution to the shareholders of the subsidiary;

(c) the issuing company is beneficially entitled to not less than 90% of any profits of the subsidiary which are available for distribution to the shareholders of the subsidiary;

(d) no person other than the issuing company has control of the subsidiary within the meaning of section 840 of the Taxes Act 1988;

(e) no arrangements are in existence by virtue of which any of the conditions in paragraphs (a) to (d) would cease to be met.

(2) Paragraph 21(3) and (4) (effect of receivership etc) apply in relation to the conditions in sub-paragraph (1) as they apply in relation to the conditions in paragraph 21(2).

(3) If—

(a) arrangements are in existence for the disposal by the issuing company of all its interest in the subsidiary, and

(b) the disposal is to be for commercial reasons and is not to be part of a scheme or arrangement the main purpose of which, or one of the main purposes of which, is the avoidance of tax,

the subsidiary is not to be regarded as having ceased on that account to be a qualifying 90% subsidiary of the issuing company.

(4) For the purposes of this Schedule, a company ("company A") which is a subsidiary of a company that is not the issuing company ("company B") is a qualifying 90% subsidiary of the issuing company if—

(a) company A would be a qualifying 90% subsidiary of company B (if company B were the issuing company), and company B is a qualifying 100% subsidiary of the issuing company; or

(b) company A is a qualifying 100% subsidiary of company B, and company B is a qualifying 90% subsidiary of the issuing company.

(5) For the purposes of sub-paragraph (4), no account is to be taken of any control the issuing company may have of company A.

(6) For those purposes, a company ("company X") is a qualifying 100% subsidiary of another company ("company Y") at any time when the conditions in sub-paragraph (1) would be met if—

(a) company X were the subsidiary;

(b) company Y were the issuing company; and

(c) in sub-paragraph (1) for "not less than 90%" in each place there were substituted "100%"."

(4) In paragraph 103 (index of defined expressions), in the entry relating to the definition of "qualifying 90% subsidiary", for "paragraph 23(10) and (11)" substitute "paragraph 23A".

Enterprise investment scheme etc

16 (1) In Chapter 3 of Part 7 of ICTA—

(a) in section 289 (eligibility for relief), for subsections (9) to (13) substitute—

"(9) Section 190 of ITA 2007 (meaning of "qualifying 90% subsidiary") applies for the purposes of this Chapter.";

(b) in section 312(1) (interpretation of Chapter), in the definition of "qualifying 90% subsidiary", omit "to (13)".

(2) In section 190 of ITA 2007 (EIS: meaning of "qualifying 90% subsidiary"), after subsection (1) insert—

"(1A) For the purposes of this Part, a company ("company A") which is a subsidiary of another company ("company B") is a qualifying 90% subsidiary of a third company ("company C") if—

(a) company A is a qualifying 90% subsidiary of company B, and company B is a qualifying 100% subsidiary of company C, or

(b) company A is a qualifying 100% subsidiary of company B, and company B is a qualifying 90% subsidiary of company C.

(1B) For the purposes of subsection (1A), no account is to be taken of any control company C may have of company A.

(1C) For those purposes, a company ("company X") is a qualifying 100% subsidiary of another company ("company Y") at any time when the conditions in subsection (1)(a) to (e) would be met if—

(a) company X were the subsidiary,

(b) company Y were the relevant company, and

(c) in subsection (1) for "at least 90%" in each place there were substituted "100%"."

Venture capital trusts

17 In section 301 of ITA 2007, after subsection (1) insert—

"(1A) For the purposes of this Chapter, a company ("company A") which is a subsidiary of a company that is not the relevant company ("company B") is a qualifying 90% subsidiary of the relevant company if—

(a) company A would be a qualifying 90% subsidiary of company B (if company B were the relevant company), and company B is a qualifying 100% subsidiary of the relevant company, or

(b) company A is a qualifying 100% subsidiary of company B, and company B is a qualifying 90% subsidiary of the relevant company.

(1B) For the purposes of subsection (1A), no account is to be taken of any control the relevant company may have of company A.

(1C) For those purposes, a company ("company X") is a qualifying 100% subsidiary of another company ("company Y") at any time when the conditions in subsection (1)(a) to (e) would be met if—

(a) company X were the subsidiary,

(b) company Y were the relevant company, and

(c) in subsection (1) for "at least 90%" in each place there were substituted "100%"."

Commencement

18 This Part of this Schedule is deemed to have come into force on 6th April 2007.

PART 5

OTHER AMENDMENTS

EIS: approved investment funds

19 (1) In Part 5 of ITA 2007 (enterprise investment scheme), in section 251(1)(c) (approved investment fund as nominee), for "6" substitute "12".

(2) The amendment made by this paragraph has effect in relation to approved funds which closed or close on or after 7 October 2006.

VCTs: disposal of holding

20 (1) Chapter 3 of Part 6 of ITA 2007 (VCT approvals) is amended as follows.

(2) In section 274(3) (requirements for the giving of approval), at the end of paragraph (d) insert ", and

(e) the 70% qualifying holdings condition by section 280A".

(3) After section 280 insert—

"**280A The 70% qualifying holdings condition: disposal of holding**

(1) This section applies if—

(a) a company which is a VCT disposes of shares or securities ("the holding"),

(b) the consideration for the disposal does not consist wholly of new qualifying holdings, and

(c) the holding was comprised in the company's qualifying holdings throughout the 6 months ending immediately before the disposal.

(2) For the purpose of determining whether the 70% qualifying holdings condition is, has been or will be met—

(a) the company is to be treated as if it continued to hold the holding for the period of 6 months beginning with the disposal (but see subsection (4)), and

(b) the value of the company's investments in that period is to be treated as reduced by the amount of any monetary consideration for the disposal.

(3) The value of the holding in the period mentioned in subsection (2)(a) is to be treated as equal to its value (determined in accordance with this Chapter) immediately before the disposal.

(4) If the consideration for the disposal includes new qualifying holdings, subsection (2)(a) has effect as if the reference to the holding were to the appropriate proportion of the holding (the value of which is that proportion of the value of the holding, determined in accordance with subsection (3)).

(5) The appropriate proportion is—

$$\frac{TC - NQH}{TC}$$

where—

TC is the market value (at the time of the disposal) of the total consideration for the disposal, and

NQH is the market value (at that time) of the new qualifying holdings.

(6) If at any time the value of the company's investments would by virtue of subsection (2)(b) be reduced to an amount less than the value of its qualifying holdings, the value of its investments at that time is to be treated as equal to the value of its qualifying holdings.

(7) "New qualifying holdings" means shares or securities which (on transfer to the company) are comprised in the company's qualifying holdings.

(8) If (and to the extent that) the holding was acquired with money the use of which is at any time ignored by virtue of section 280(2), subsections (2) to (6) do not apply in relation to that time.

(9) Nothing in this section applies in relation to disposals between companies that are merging (within the meaning of section 323)."

(4) This paragraph is deemed to have come into force on 6th April 2007.

(5) The amendments made by this paragraph have effect in relation to disposals made on or after that date.

VCTs: power to make regulations as to breaches of conditions

21 (1) In section 284 of ITA 2007 (power to make regulations as to procedure), in the existing provision (which becomes subsection (1))—

(a) after paragraph (a) insert—

"(aa) for and in connection with the making by a company of an application to the Commissioners for Her Majesty's Revenue and Customs ("the Commissioners") for relief in respect of a breach (including a future breach) of the conditions for its VCT approval to continue in force,",

(b) in paragraph (c), for the words from "that the conditions" to the end substitute—

"(i) that the conditions for its VCT approval to continue in force are no longer met, or

(ii) that it is likely that those conditions will cease to be met,", and

(c) in paragraph (d) omit "for Her Majesty's Revenue and Customs".

(2) After subsection (1) insert—

"(2) In subsection (1)(aa), the reference to relief in respect of a breach of the conditions mentioned there is to a determination by the Commissioners that they will not exercise their power to withdraw the company's VCT approval by reason of the breach for such period as they may determine (and subject to such conditions as they may determine).

(3) The provision that may be made by virtue of subsection (1)(aa) includes—

(a) provision as to the procedure to be followed in relation to applications and determinations,

(b) provision as to the grounds on which applications may be made or determined, and

(c) provision conferring a discretion to be exercised by the Commissioners."