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SCHEDULES

SCHEDULE 16

VENTURE CAPITAL SCHEMES ETC

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);”.

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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—

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“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

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(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.

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