
Status: Point in time view as at 19/07/2011.

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SCHEDULES

SCHEDULE 2

TRANSITIONALS AND SAVINGS

PART 8

VENTURE CAPITAL TRUSTS

Eligibility for relief

- 59 Section 261(4) does not apply in relation to shares acquired by a company before 1 December 2003.

Form and amount of relief

- 60 (1) In relation to shares issued before 6 April 2006, section 263(2) applies with the substitution of “tax at the higher rate for the tax year on” for “30% of”.
- (2) In relation to shares issued before 6 April 2004, section 263(2) applies with the substitution of “the savings rate” for “the higher rate”.

No entitlement to relief if there is a linked loan

- 61 In relation to shares issued before 6 April 2006, section 264(3) applies with the substitution, in paragraph (b) of the definition of “the relevant period”, of “the third anniversary” for “the fifth anniversary”.

Loss of relief if shares disposed of within 5 years

- 62 (1) In relation to shares issued before 6 April 2006—
- (a) subsection (1) of section 266 applies with the substitution of “3 years” for “5 years”, and
 - (b) subsection (4) of that section applies with the omission of “30% of” and the insertion at the end of “multiplied by the higher rate for the tax year in which the shares were issued”.
- (2) In relation to shares issued before 6 April 2004, section 266(4) applies with the substitution of “the savings rate” for “the higher rate”.

Interpretation of Chapter 2

- 63 (1) In relation to shares issued before 6 April 2007, section 273(1) applies as if it gave “eligible shares” the same meaning as that given by paragraph 6(1) of Schedule 15B to ICTA at the time of the issue of the shares.

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- (2) In relation to shares issued before 6 April 2006, section 273(1) applies with the substitution of “3 years” for “5 years”.

The 15% holding limit condition

- 64 In relation to shares or securities issued before 17 April 2002, section 277(5) applies with the following modifications—
- (a) the insertion after “reconstruction”, in the first place where it occurs, of “or amalgamation”, and
 - (b) the omission of the words from “In this subsection” to the end.

Conditions relating to value of investments

- 65 (1) Sub-paragraph (2) applies if any question arises which—
- (a) would otherwise fall to be determined in accordance with section 278, and
 - (b) is a question whether, in a case where a company (“company A”) holds investments in a company (“company B”) immediately before 6 April 2007, the 15% holding condition is met if there is an addition to the holding on or after that date.
- (2) Any such question is to be determined in accordance with—
- (a) section 842AA(11)(c) of ICTA, and
 - (b) section 842(3) and (4) of that Act as applied by that provision,
- until such time as company A ceases to hold investments in company B.
- (3) Except in a case to which sub-paragraph (2) applies, section 278(5) applies in relation to investments issued before 17 April 2002 with the following modifications—
- (a) the insertion after “reconstruction”, in the first place where it occurs, of “or amalgamation”, and
 - (b) the omission of the words from “In this subsection” to the end.

Conditions relating to qualifying holdings and eligible shares: supplementary

- 66 Section 280(3) does not apply in relation to shares issued before 17 April 2002.

Interpretation of Chapter 3

- 67 Section 285 applies with the omission of subsections (4) to (6) for the purposes of determining whether, at any time before 6 April 2007, the conditions mentioned in section 274(2) are, will be or were met with respect to a company.

The maximum qualifying investment requirement

- 68 For the purpose of determining whether shares or securities are to be regarded as comprised in a company's qualifying holdings, section 287(3)(b) does not apply in relation to shares or securities issued before 6 April 2007.

The no guaranteed loan requirement

- 69 For the purpose of determining whether shares or securities are to be regarded as comprised in a company's qualifying holdings, section 288 does not apply in

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relation to shares or securities acquired by a company by means of the investment of—

- (a) money raised by the issue before 2 July 1997 of shares in or securities of the investing company, or
- (b) money derived from the investment by that company of any such money.

The proportion of eligible shares requirement

- 70 (1) If at any time the requirement of section 289—
- (a) would be met in relation to a relevant holding and a company if none of the old investments were held by the investing company at that time, but
 - (b) would not otherwise be met,
- that section applies in relation to that holding as if the old investments were not held by the investing company at that time.
- (2) In sub-paragraph (1) “old investments” means shares in or securities of the relevant company acquired by means of the investment of—
- (a) money raised by the issue before 2 July 1997 of shares in or securities of the investing company, or
 - (b) money derived from the investment by that company of any such money.

The trading requirement

- 71 For the purpose of determining whether shares or securities are to be regarded as comprised in a company's qualifying holdings, section 290 applies in relation to shares or securities issued before 6 April 2007 with the following modifications—
- (a) the omission of subsections (2) and (6), and
 - (b) in subsection (5)(d), the omission of sub-paragraph (ii) and the “or” immediately before it.

The carrying on of a qualifying activity requirement

- 72 (1) For the purpose of determining whether shares or securities are to be regarded as comprised in a company's qualifying holdings, section 291 applies in relation to shares or securities issued before 6 April 2007 with the omission of subsection (8).
- (2) For the purpose of determining whether shares or securities are to be regarded as comprised in a company's qualifying holdings, section 291 applies in relation to shares or securities issued before 17 March 2004 with the following modifications—
- (a) in subsection (1), the substitution for “a qualifying company (whether or not the same such company at every such time)” of “the qualifying company”,
 - (b) in subsection (3), the substitution for “was intended to be carried on” of “it intended to carry on” and the omission of “by a qualifying company”,
 - (c) in subsection (4)(a), the substitution for “a qualifying company” of “the qualifying company”,
 - (d) in subsection (4)(b), the substitution for “at all times since the end of that period, a qualifying company (whether or not the same such company at every such time) has” of “the qualifying company has at all times since the end of that period”, and
 - (e) the omission of subsection (6).

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Ceasing to meet the requirement because of administration or receivership

- 73 For the purpose of determining whether shares or securities are to be regarded as comprised in a company's qualifying holdings, section 292(1) applies in relation to shares or securities issued before 17 March 2004 with the omission of “merely”.

The use of the money raised requirement

- 74 For the purpose of determining whether shares or securities are to be regarded as comprised in a company's qualifying holdings, section 293 applies in relation to shares or securities issued before 17 March 2004 with the following modifications—
- (a) in subsection (2), the substitution for “has been or is intended to be employed” of “is money which the qualifying company has employed or intends to employ”, and
 - (b) in subsection (5)(b), the substitution for “a qualifying company” of “the qualifying company”.

The relevant company to carry on the relevant qualifying activity requirement

- 75 (1) For the purpose of determining whether shares or securities are to be regarded as comprised in a company's qualifying holdings, section 294 applies in relation to shares or securities issued before 6 April 2007 with the following modifications—
- (a) in subsections (1) and (6) the substitution for “relevant qualifying activity” of “qualifying activity”,
 - (b) in subsection (1) the substitution for “section 293” of “section 291”, and
 - (c) the omission of subsection (7).
- (2) For the purpose of determining whether shares or securities are to be regarded as comprised in a company's qualifying holdings, Chapter 4 of Part 6 of this Act applies in relation to shares or securities issued before 17 March 2004 with the substitution for section 294 of—

“294 Further requirements as to the money raised by the investment in question

- (1) If—
 - (a) the relevant company is a parent company, and
 - (b) the business of the group does not consist wholly or as to a substantial part in the carrying on of non-qualifying activities,
 the requirements of this section are not met unless one or more of the following conditions is met.
- (2) Condition A is that the trader company meets the requirement of section 290(1)(a).
- (3) Condition B is that the trader company would meet that requirement if its purposes were ignored so far as they consist in the carrying on of activities in section 290(5).
- (4) Condition C is that the trader company is a [F1 qualifying 90% subsidiary of the relevant company] and—

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- (a) apart from incidental purposes, it exists wholly for the purposes of carrying on activities such as those in section 290(5)(c) and (d), or
- (b) it has no profits for the purposes of corporation tax and no part of its business consists in the making of investments.

(5) In this section—

“the business of the group” has the same meaning as it has for the purposes of subsection (1)(b) of section 290,

“incidental purposes” and “non-qualifying activities” have the same meaning as in that section,

“the trader company” means the company (whether the relevant company or a qualifying subsidiary of the relevant company) carrying on the qualifying activity which meets the requirement of section 291.”

Textual Amendments

- F1** Words in Sch. 2 para. 75(2) substituted (with effect in accordance with art. 1(2) of the amending S.I.) by [Income Tax Act 2007 \(Amendment\) \(No.2\) Order 2007 \(S.I. 2007/1820\)](#), arts. 1(1), **4(3)**

The gross assets requirement

- 76 (1) For the purpose of determining whether shares or securities are to be regarded as comprised in a company's qualifying holdings, section 297 applies in relation to shares or securities issued on or after 6 April 1998 and before 6 April 2006 with the substitution in subsections (1) and (2)—
- (a) of “£15 million” for “£7 million”, and
 - (b) of “£16 million” for “£8 million”.
- (2) For the purposes of sub-paragraph (1) any shares or securities acquired by a company at any time by means of the investment of—
- (a) money raised by the issue before 6 April 2006 of shares in or securities of the investing company, or
 - (b) money derived from the investment by that company of any such money, are treated as having been issued before 6 April 2006.
- (3) For the purpose of determining whether shares or securities are to be regarded as comprised in a company's qualifying holdings, section 297 applies in relation to shares or securities issued before 6 April 1998 with the substitution in subsections (1) and (2)—
- (a) of “£10 million” for “£7 million”, and
 - (b) of “£11 million” for “£8 million”.

The property managing subsidiaries requirement

- 77 For the purpose of determining whether shares or securities are to be regarded as comprised in a company's qualifying holdings, section 299 does not apply in relation to shares or securities issued before 17 March 2004.

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Meaning of “qualifying trade”

- 78 For the purpose of determining whether shares or securities are to be regarded as comprised in a company's qualifying holdings, section 300 applies in relation to shares or securities issued before 6 April 2007 with the following modifications—
- (a) in subsection (2), the omission of paragraph (b) and the “or” immediately before it, and
 - (b) the omission of subsection (3).

Meaning of “qualifying 90% subsidiary”

- 79 For the purpose of determining whether shares or securities are to be regarded as comprised in a company's qualifying holdings, section 301 does not apply in relation to shares or securities issued before 17 March 2004.

Meaning of “qualifying subsidiary”

- 80 For the purpose of determining whether shares or securities are to be regarded as comprised in a company's qualifying holdings, section 302 applies in relation to shares or securities issued before 17 March 2004 with the following modifications—
- (a) the substitution for subsection (2)(a) of—
 - “(a) the relevant company, or another of its subsidiaries, possesses at least 75% of the issued share capital of, and at least 75% of the voting power in, the subsidiary,
 - (aa) the relevant company, or another of its subsidiaries, would in the event of a winding up of the subsidiary, or in any other circumstances, be beneficially entitled to receive at least 75% of the assets of the subsidiary which would then be available for distribution to the equity holders of the subsidiary,
 - (ab) the relevant company, or another of its subsidiaries, is beneficially entitled to at least 75% of any profits of the subsidiary which are available for distribution to the equity holders of the subsidiary,”
 - (b) in subsection (2)(c), the substitution for “either of the conditions in paragraphs (a) and (b)” of “any of the conditions in paragraphs (a), (aa), (ab) and (b)”,
 - (c) in subsection (3), the omission of “or any other company” and the substitution for paragraphs (a) and (b) of “is for genuine commercial reasons, and not part of a scheme or arrangement the main purpose or one of the main purposes of which is the avoidance of tax”,
 - (d) the omission of subsection (4),
 - (e) in subsection (5), the substitution for paragraphs (a) and (b) of “is to be for genuine commercial reasons, and not part of a scheme or arrangement the main purpose or one of the main purposes of which is the avoidance of tax”,
 - (f) after subsection (5) the insertion of—
 - “(6) For the purposes of this section the persons who are equity holders of a subsidiary, and the percentage of the assets of the subsidiary to which an equity holder would be entitled, is to be determined in accordance with [F2Chapter 6 of Part 5 of CTA 2010], taking—

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- (a) references in [F3 section 166 of that Act to company A] as references to the equity holder, and
- (b) references to a winding up as including references to any other circumstances in which assets of the subsidiary are available for distribution to its equity holders.”

Textual Amendments

- F2** Words in Sch. 2 para. 80(f) substituted (with effect in accordance with s. 1184(1) of the amending Act) by *Corporation Tax Act 2010 (c. 4), s. 1184(1), Sch. 1 para. 571(4)(a)* (with Sch. 2)
- F3** Words in Sch. 2 para. 80(f) substituted (with effect in accordance with s. 1184(1) of the amending Act) by *Corporation Tax Act 2010 (c. 4), s. 1184(1), Sch. 1 para. 571(4)(b)* (with Sch. 2)

Meaning of “excluded activities”

- 81 For the purpose of determining whether shares or securities are to be regarded as comprised in a company's qualifying holdings at any time, section 303(1)(g) to (k) (and accordingly sections 307 to 309) do not apply in relation to shares or securities acquired by the company by means of the investment of—
- (a) money raised by the issue before 17 March 1998 of shares in or securities of the investing company, or
 - (b) money derived from the investment by that company of any such money.

Excluded activities: wholesale and retail distribution

- 82 For the purpose of determining whether shares or securities are to be regarded as comprised in a company's qualifying holdings, section 304 applies in relation to shares or securities issued before 6 April 2007 with the following modifications—
- (a) in subsection (5)(b), the insertion after “held” of “by the company” and the substitution for “the trader” of “a vendor”, and
 - (b) in subsection (6), the substitution for “of wholesale or retail distribution”, in the first place where it occurs, of “carried on by any person” and the substitution for “the trader”, in each place where it occurs, of “that person”.

Excluded activities: leasing of ships

- 83 (1) For the purpose of determining whether shares or securities are to be regarded as comprised in a company's qualifying holdings, section 305 as applied by the definition of “non-qualifying activities” in section 290(8) applies in relation to shares or securities issued before 6 April 2007 with the omission of subsection (7).
- (2) For the purpose of determining whether shares or securities are to be regarded as comprised in a company's qualifying holdings, section 305 applies in relation to shares or securities issued before 6 April 2004 with the following modifications—
- (a) in subsection (1), the substitution for “offshore installations” of “oil rigs”,
 - (b) in subsection (2), the substitution for “offshore installation” of “oil rig”,
 - (c) in subsection (8), the insertion after “this section” of—

““oil rig” means any ship which is an offshore installation for the purposes of the Mineral Workings (Offshore Installations) Act 1971.”.

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Excluded activities: receipt of royalties and licence fees

84 For the purpose of determining whether shares or securities are to be regarded as comprised in a company's qualifying holdings, section 306 applies in relation to shares or securities issued before 6 April 2000 with the substitution for subsections (2) to (6) of—

“(2) If the requirement of subsection (3) or (4) is met, a trade is not to be regarded as consisting in the carrying on of excluded activities within section 303(1) (e) as a result only of its consisting to a substantial extent in the receiving of royalties of licence fees.

(3) The requirement of this subsection is that—

- (a) the company carrying on the trade is engaged in—
 - (i) the production of films, or
 - (ii) the production of films and the distribution of films produced by it since the issue of the relevant holding, and
- (b) all royalties and licence fees received by it are in respect of—
 - (i) films produced by it since the issue of the relevant holding,
 - (ii) sound recordings in relation to such films, or
 - (iii) other products arising from such films.

(4) The requirement of this subsection is that—

- (a) the company carrying on the trade is engaged in research and development, and
- (b) all royalties and licence fees received by it are attributable to research and development which it has carried out.”

Excluded activities: provision of services or facilities for another business

85 (1) For the purpose of determining whether shares or securities are to be regarded as comprised in a company's qualifying holdings, section 310 applies in relation to shares or securities issued before 6 April 2007 with the following modifications—

- (a) in subsections (1) to (4), the substitution of “trade” for “business”, wherever it occurs, and
- (b) in subsection (5) the substitution for paragraph (b) of—
 - “(b) “trade” includes business, profession or vocation where what is carried on is carried on by a person other than a company.”

(2) For the purpose of determining whether shares or securities are to be regarded as comprised in a company's qualifying holdings at any time, section 310(1)(a) applies in relation to shares or securities acquired by the company by means of the investment of—

- (a) money raised by the issue before 17 March 1998 of shares in or securities of the investing company, or
- (b) money derived from the investment by that company of any such money, with the substitution for “paragraphs (a) to (k)” of “paragraphs (a) to (f)”.

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Winding up of the relevant company

- 86 For the purpose of determining whether shares or securities are to be regarded as comprised in a company's qualifying holdings, section 312(b) applies in relation to shares or securities issued before 17 March 2004 with the substitution for “is not” of “not”.

Acquisitions for restructuring purposes etc

- 87 Sections 326 to 329 do not apply in relation to arrangements made, or rights of conversion exercised, before 16 June 1999.

Power to facilitate company reorganisations

- 88 Section 330 does not apply in relation to exchanges of shares or securities taking effect before 21 March 2000.

Meaning of a company being “in administration”

- 89 (1) Sub-paragraph (2) applies in relation to—
- (a) an administration order under Part 3 of the Insolvency (Northern Ireland) Order 1989 the petition for which was presented before 6 April 2007, or
 - (b) any corresponding order under the law of a country or territory outside the United Kingdom the proceedings for which were instituted before that date.
- (2) Section 331 applies with the substitution for subsection (2) of—
- “(2) A company is “in administration” if—
- (a) it is in administration within the meaning of Schedule B1 to the Insolvency Act 1986, or
 - (b) there is in force in relation to it—
 - (i) an administration order under Part 3 of the Insolvency (Northern Ireland) Order 1989, or
 - (ii) any corresponding order under the law of a country or territory outside the United Kingdom.”
- (3) In relation to an administration order under Part 2 of the Insolvency Act 1986 the petition for which was presented before 15 September 2003, section 331 applies with the substitution for subsection (2) of—
- “(2) A company is “in administration” if there is in force in relation to it—
- (a) an administration order under Part 2 of the Insolvency Act 1986 or Part 3 of the Insolvency (Northern Ireland) Order 1989, or
 - (b) any corresponding order under the law of a country or territory outside the United Kingdom.”

Meaning of “company”, “shares” and “research and development” in Part 6

- 90 (1) This paragraph applies in relation to the meaning of “company”, “shares” and “research and development” in Part 6 (see section 332).
- (2) If—

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- (a) a company holds investments of any description in an entity immediately before 6 April 2007, and
- (b) the entity is a company for any purposes of the Part 6 provisions but not for the corresponding purposes of the ICTA provisions,

any question whether the entity is a company for those purposes of the Part 6 provisions is to be determined in accordance with the ICTA provisions until such time as the company ceases to hold investments of that description.

(3) If—

- (a) a company holds investments of any description in an entity immediately before 6 April 2007, and
- (b) the investments are shares for any purposes of either of the following—
 - (i) the Part 6 provisions, and
 - (ii) the ICTA provisions,

but not for the corresponding purposes of the other set of provisions,

any question whether the investments are shares for those purposes of the Part 6 provisions is to be determined in accordance with the ICTA provisions until such time as the company ceases to hold investments of that description.

(4) In sub-paragraphs (2) and (3)—

“the ICTA provisions” means section 842AA of ICTA (VCT approvals) and Schedule 28B to that Act (qualifying holdings),

“the Part 6 provisions” means Chapter 3 of Part 6 (VCT approvals) and Chapter 4 of that Part (qualifying holdings).

(5) For the purpose of determining whether any shares or securities are to be regarded as comprised in a company's qualifying holdings, section 332 applies in relation to shares issued before 6 April 2000 with the substitution for the definition of “research and development” of—

““research and development” means any activity which is intended to result in a patentable invention (within the meaning of the Patents Act 1977) or in a computer program.”

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