



Income Tax Act 2007

2007 CHAPTER 3

PART 6

VENTURE CAPITAL TRUSTS

CHAPTER 3

VCT APPROVALS

Giving of approval

274 Requirements for the giving of approval

- (1) Subject to section 275, the Commissioners for Her Majesty's Revenue and Customs must not approve a company for the purposes of this Part unless it is shown to their satisfaction that the conditions mentioned in subsection (2)—
- (a) are met in relation to the most recent complete accounting period of the company, and
 - (b) will be met in relation to the accounting period of the company which is current when the application for approval is made.
- (2) The conditions applied by subsection (1) (which are also applied by section 275(1) and other provisions of this Chapter) are set out in column 2 of the following table together with, in column 1 of the table, the descriptions by which they are referred to. In each of those conditions “the relevant period” means the accounting period that is relevant for the purposes of the particular provision by which the condition is applied.

<i>Description</i>	<i>Condition</i>
The listing condition	The shares making up the company's ordinary share capital (or, if there are such shares of more than one class, those of each class) have been or will be

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	[^{F1}] ^{F2} admitted to trading on a regulated market] throughout the relevant period]
The nature of income condition	The company's income in the relevant period has been or will be derived wholly or mainly from shares or securities
The income retention condition	The company has not retained or will not retain an amount which is greater than 15% of the income it derived or will derive in the relevant period from shares or securities
The 15% holding limit condition	No holding in any company, other than a VCT or a company that would qualify as a VCT but for the listing condition, has represented or will represent at any time during the relevant period more than 15% by value of the company's investments
The 70% qualifying holdings condition	At least 70% by value of the company's investments has been or will be represented throughout the relevant period by shares or securities included in qualifying holdings of the company
The [^{F3} 70%] eligible shares condition	At least [^{F3} 70%] by value of the company's qualifying holdings has been or will be represented throughout the relevant period by holdings of eligible shares
[^{F4} The non-qualifying investments condition	The company has not made and will not make, in the relevant period, an investment which is neither of the following— (a) an investment that on the date it is made is included in the company's qualifying holdings; (b) an investment falling within subsection (3A)]
[^{F5} The investment limits condition	The company has not made and will not make an investment, in the relevant period, in a company which breaches the permitted investment limits]
[^{F6} The permitted maximum age condition	The company has not made and will not make an investment, in the relevant period, in a company which breaches the permitted maximum age limit.]
[^{F6} The no business acquisition condition	The company has not made and will not make an investment, in the relevant period, in a company which breaches the prohibition on business acquisitions.]

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- (3) The conditions mentioned in subsection (2) are supplemented as follows—
- (a) the nature of income condition and the income retention condition by section 276,
 - (b) the 15% holding limit condition by section 277,
 - (c) the 15% holding limit condition, the 70% qualifying holdings condition and the [^{F7}70%] eligible shares condition by sections 278 and 279, ^{F8}...
 - (d) the 70% qualifying holdings condition and the [^{F9}70%] eligible shares condition by section 280 [^{F10}, ^{F11}...
 - (e) the 70% qualifying holdings condition by section 280A], ^{F12}...
 - (f) the investment limits condition by [^{F13}subsection [^{F14}(3ZA)] and by] section 280B.
 - [^{F15}(g) the permitted maximum age condition by subsection [^{F16}(3ZA)] and by section 280C, and
 - (h) the no business acquisition condition by subsection [^{F17}(3ZA)] and by section 280D.]

[^{F18}(3ZA) In the second column of the table in subsection (2), in the entries for the investment limits condition, the permitted maximum age condition and the no business acquisition condition, any reference to an investment made by the company in a company does not include an investment falling within subsection (3A).]

[^{F19}(3A) [^{F20}An investment made by a company (“the investor”) falls within this subsection if it is] any of the following investments—

- (a) shares or units in an AIF (within the meaning given by regulation 3 of the Alternative Investment Fund Managers Regulations 2013) which may be repurchased or redeemed on 7 days' notice given by the investor;
- (b) shares or units in a UCITS (within the meaning given by section 363A(4) of TIOPA 2010) which may be repurchased or redeemed on 7 days' notice given by the investor;
- (c) ordinary shares or securities in a company which are acquired by [^{F21}the investor] on a regulated market.]
- [^{F22}(d) money in the investor's possession;
- (e) a sum owed to the investor which—
 - (i) under section 285(4)(b) (read with section 285(5) and (6)) is to be regarded as an investment of the investor, and
 - (ii) is such that the investor's right mentioned in section 285(5)(a) may be exercised on 7 days' notice given by the investor.]

[^{F23}(4) In this section “regulated market” has the same meaning as in Directive [^{F24}2004/39/EC][^{F24}Directive 2014/65/EU] of the European Parliament and of the Council on markets in financial instruments (see [^{F25}Article 4.1(14)][^{F25}Article 4.1.21]).

[In subsection (3A), any reference to a thing which may be done on 7 days' notice ^{F26}(3B) includes a case where that thing may be done—

- (a) on less than 7 days' notice, or
- (b) without notice.]

[^{F27}(5) The Treasury may by regulations—

- (a) amend the first entry in the table in subsection (2) (the listing condition),
- (b) add, remove or amend an entry in the list of investments in subsection (3A),

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- [^{F28}(ba) amend or repeal subsection (3B) in consequence of any provision made under paragraph (b),]
- (c) amend this section so as to make provision to restrict the period for which an investment [^{F29}falling within subsection (3A) may be held by the company], or
- (d) amend subsection (4).]]

Textual Amendments

- F1** Words in s. 274(2) substituted (19.7.2007) by [Finance Act 2007 \(c. 11\), Sch. 26 para. 12\(6\)](#)
- F2** Words in s. 274(2) substituted (6.4.2011) (with effect in accordance with Sch. 2 paras. 7(2), 8 of the amending Act) by [Finance \(No. 3\) Act 2010 \(c. 33\), Sch. 2 para. 2\(2\)\(a\)](#); S.I. 2011/662, art. 2
- F3** Word in s. 274(2) substituted (6.4.2011) (with effect in accordance with Sch. 2 paras. 6, 8 of the amending Act) by [Finance \(No. 3\) Act 2010 \(c. 33\), Sch. 2 para. 2\(2\)\(b\)](#); S.I. 2011/662, art. 2
- F4** Words in s. 274(2) inserted (with effect in accordance with s. 31(8) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 31\(2\)](#)
- F5** Words in s. 274(2) inserted (17.7.2012) (with effect in accordance with Sch. 8 para. 18 of the amending Act) by [Finance Act 2012 \(c. 14\), Sch. 8 para. 2\(2\)](#)
- F6** Words in s. 274(2) inserted (with effect in accordance with Sch. 6 para. 23(1) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\), Sch. 6 para. 3\(2\)](#)
- F7** Word in s. 274(3)(c) substituted (6.4.2011) (with effect in accordance with Sch. 2 paras. 6, 8 of the amending Act) by [Finance \(No. 3\) Act 2010 \(c. 33\), Sch. 2 para. 2\(2\)\(c\)](#); S.I. 2011/662, art. 2
- F8** Word in s. 274(3)(c) repealed (19.7.2007) by [Finance Act 2007 \(c. 11\), Sch. 27 Pt. 2\(16\)](#)
- F9** Word in s. 274(3)(d) substituted (6.4.2011) (with effect in accordance with Sch. 2 paras. 6, 8 of the amending Act) by [Finance \(No. 3\) Act 2010 \(c. 33\), Sch. 2 para. 2\(2\)\(c\)](#); S.I. 2011/662, art. 2
- F10** S. 274(3)(e) and word inserted (with effect in accordance with Sch. 16 para. 20(5) of the amending Act) by [Finance Act 2007 \(c. 11\), Sch. 16 para. 20\(2\)\(4\)](#)
- F11** Word in s. 274(3)(d) omitted (17.7.2012) (with effect in accordance with Sch. 8 para. 18 of the amending Act) by virtue of [Finance Act 2012 \(c. 14\), Sch. 8 para. 2\(3\)](#)
- F12** Word in s. 274(3)(e) omitted (with effect in accordance with Sch. 6 para. 23(1) of the amending Act) by virtue of [Finance \(No. 2\) Act 2015 \(c. 33\), Sch. 6 para. 3\(3\)\(a\)](#)
- F13** Words in s. 274(3)(f) inserted (with effect in accordance with Sch. 6 para. 23(1) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\), Sch. 6 para. 3\(3\)\(b\)](#)
- F14** Word in s. 274(3)(f) substituted (with effect in accordance with s. 31(8) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 31\(3\)](#)
- F15** S. 274(3)(g)(h) inserted (with effect in accordance with Sch. 6 para. 23(1) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\), Sch. 6 para. 3\(3\)\(c\)](#)
- F16** Word in s. 274(3)(g) substituted (with effect in accordance with s. 31(8) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 31\(3\)](#)
- F17** Word in s. 274(3)(h) substituted (with effect in accordance with s. 31(8) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 31\(3\)](#)
- F18** S. 274(3ZA) inserted (with effect in accordance with s. 31(8) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 31\(4\)](#)
- F19** S. 274(3A) inserted (with effect in accordance with Sch. 6 para. 23(1) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\), Sch. 6 para. 3\(4\)](#)
- F20** Words in s. 274(3A) substituted (with effect in accordance with s. 31(8) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 31\(5\)\(a\)](#)
- F21** Words in s. 274(3A)(c) substituted (with effect in accordance with s. 31(8) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 31\(5\)\(b\)](#)
- F22** S. 274(3A)(d)(e) inserted (with effect in accordance with s. 31(8) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 31\(5\)\(c\)](#)
- F23** S. 274(4)(5) inserted (6.4.2011) (with effect in accordance with Sch. 2 paras. 7(2), 8 of the amending Act) by [Finance \(No. 3\) Act 2010 \(c. 33\), Sch. 2 para. 2\(2\)\(d\)](#); S.I. 2011/662, art. 2

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- F24** Words in s. 274(4) substituted (29.6.2017 for specified purposes, 3.7.2017 for specified purposes, 31.7.2017 for specified purposes) by [The Financial Services and Markets Act 2000 \(Markets in Financial Instruments\) Regulations 2017 \(S.I. 2017/701\)](#), reg. 1(2)(3)(4)(6), **Sch. 4 para. 10(a)** (with reg. 7)
- F25** Words in s. 274(4) substituted (29.6.2017 for specified purposes, 3.7.2017 for specified purposes, 31.7.2017 for specified purposes) by [The Financial Services and Markets Act 2000 \(Markets in Financial Instruments\) Regulations 2017 \(S.I. 2017/701\)](#), reg. 1(2)(3)(4)(6), **Sch. 4 para. 10(b)** (with reg. 7)
- F26** S. 274(3B) inserted (with effect in accordance with s. 31(8) of the amending Act) by [Finance Act 2016 \(c. 24\)](#), **s. 31(6)**
- F27** S. 274(5) substituted (with effect in accordance with Sch. 6 para. 23(1) of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), **Sch. 6 para. 3(5)**
- F28** S. 274(5)(ba) inserted (with effect in accordance with s. 31(8) of the amending Act) by [Finance Act 2016 \(c. 24\)](#), **s. 31(7)(a)**
- F29** Words in s. 274(5)(c) substituted (with effect in accordance with s. 31(8) of the amending Act) by [Finance Act 2016 \(c. 24\)](#), **s. 31(7)(b)**

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