

FINANCE ACT 2014

EXPLANATORY NOTES

INTRODUCTION

Section 56: Exclusion of Incentivised Electricity or Heat Generation Activities.

Details of the Section

2. The tax-advantaged venture capital schemes exist to incentivise investment in smaller companies carrying on, or preparing to carry on, qualifying trades. A trade is qualifying if it is carried on commercially and with a view to profit, and if it does not consist to a substantial extent in “excluded activities”.
3. The legislation listing the activities which are “excluded” for the purpose of the schemes can be found at sections 192 to 199 Income Tax Act 2007 (ITA) for EIS; those sections apply also for SEIS by virtue of section 257DA ITA. The equivalent VCT provisions are at sections 303 to 310 ITA.
4. Legislation already exists at section 198A and 309A to exclude the generation or export of electricity attracting feed-in tariffs or overseas equivalents, with exceptions made for electricity generated or exported by community interest companies, community benefit societies, co-operative societies and Northern Irish industrial and provident societies. Companies producing electricity by anaerobic digestion or hydro power are also excepted from the exclusion.
5. Section 56 extends the existing exclusions at sections 198A and 309A in respect of the subsidised generation or export of electricity, to cases where a ROC is issued in connection with the generation or export, or where the production of the electricity has been incentivised by a similar overseas scheme.
6. The new section adds new sections 198B and 309B to exclude the generation of heat, or the production of gas or fuel, where the generation or production attracts a payment (or other incentive) under the RHI scheme or a similar overseas scheme.
7. As is the case with the feed-in tariffs exclusion, community interest companies, community benefit societies, co-operative societies and Northern Irish industrial and provident societies will not be affected by the new restrictions. The amendment extends that list of excepted entities to European Co-operative Societies, for all forms of renewable incentive.
8. The new section ensures that the new restriction will not apply where the electricity is generated by anaerobic digestion or by hydro power, nor where heat is generated, or gas or fuel produced, by anaerobic digestion.