
STATUTORY INSTRUMENTS

2004 No. 2199

**The Venture Capital Trust (Winding up
and Mergers) (Tax) Regulations 2004**

Procedure for Board's approval

- 13.—(1) Where there has been a merger, the following paragraphs apply.
- (2) The relevant shares issued to effect the merger are referred to as the “new shares” and—
- (a) in the case of a share for share exchange, the corresponding shares for which they were exchanged, and
 - (b) in the case of a share for business transfer, the corresponding shares in respect of which they were issued,
- are referred to as the “old shares”.
- (3) For the purposes of Schedule 15B, and of Schedule 5C(1) to the 1992 Act—
- (a) any share for share exchange or share for business transfer shall not be treated as a disposal of the old shares, or as a chargeable event for the purposes of Schedule 5C to the 1992 Act,
 - (b) any other act (including the giving of relief under Part 1 of Schedule 15B, or under paragraph 2 of Schedule 5C to the 1992 Act) carried out, or failure to act, in relation to the old shares shall be treated as carried out, or omitted, in relation to the corresponding new shares, and
 - (c) references to the company in which the old shares were held shall be read as references to the successor company.
- (4) For the purposes of sections 151A and 151B of the 1992 Act(2), where the successor company—
- (a) was not a venture capital trust at the time when shares issued to effect the merger were acquired, but
 - (b) is a venture capital trust at the time of a subsequent disposal of those shares,
- it shall be treated as a venture capital trust at and from the former time.
- (5) Where the requirements of any of the paragraphs of Schedule 28B (except paragraph 9) were satisfied (or deemed to be satisfied) to any extent or for any period, in relation to an investment when held by a merging company immediately before the merger, they shall be treated as satisfied to the same extent or for the same period, in relation to the investment when held by the successor company, as if the successor company and the other company were the same company.
- (6) For the purposes of paragraph 9 of Schedule 28B and the 15% test—
- (a) the period during which the merger takes place shall be disregarded, and
 - (b) if, as a result of the merger, the requirements of that paragraph or that test, as the case may be, would not be met immediately after the merger, those requirements shall be treated as met for a further period of one year.

(1) Schedule 5C was inserted by section 72(4) of the Finance Act 1995.

(2) Sections 151A and 151B were inserted by section 72(3) of the Finance Act 1995.

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(7) For the purposes of section 842AA(2)(b) to (d) the value of investments in the hands of the successor company immediately after the merger shall be their value when last valued before the merger, in accordance with subsection (5) of that section, unless there has been a transaction (other than the merger) whereby those investments would fall to be so revalued.

(8) For the purposes of paragraph 10B(3) of Schedule 28B the like provisions as are contained in paragraph (7) shall apply (substituting references to valuations in accordance with paragraph 10B for references to valuations in accordance with section 842AA(5)).

(9) Where—

(a) a merging company, other than a successor company, obtained VCT approval in exercise of the power conferred by section 842AA(4) (provisional approval), and

(b) the approval is withdrawn following the merger,

section 842AA shall apply to the withdrawal of approval with the modifications that, in subsection (7) the words “Subject to subsections (8) and (9),” and subsections (8) and (9), are omitted.

(3) Paragraph 10B was inserted by section 72(2) of the Finance Act 1998.