

**2015 No. 361**

**INCOME TAX**

**The Venture Capital Trust (Winding up and Mergers) (Tax)  
(Amendment) Regulations 2015**

<i>Made</i>	- - - -	<i>24th February 2015</i>
<i>Laid before the House of Commons</i>		<i>25th February 2015</i>
<i>Coming into force</i>	- -	<i>19th March 2015</i>

The Treasury make the following Regulations in exercise of the powers conferred by sections 321(1), 322(5A) and 324(1)(e) of the Income Tax Act 2007(a).

**Citation, commencement and effect**

1.—(1) These Regulations may be cited as the Venture Capital Trust (Winding up and Mergers) (Tax) (Amendment) Regulations 2015 and come into force on 19th March 2015.

(2) Regulation 2 has effect in relation to new shares issued on or after 6th April 2014.

(3) In this regulation, “new shares” has the same meaning as in regulation 13 of the Venture Capital Trust (Winding up and Mergers) (Tax) Regulations 2004(b).

**Amendment of the Venture Capital Trust (Winding up and Mergers) (Tax) Regulations 2004**

2.—(1) The Venture Capital Trust (Winding up and Mergers) (Tax) Regulations 2004 are amended as follows.

(2) After paragraph (9) of regulation 13 insert—

“(10) Section 281(1)(f)(c) applies to a successor company except—

- (a) it does not apply in relation to new shares issued on or after 6th April 2014 which correspond to old shares that were issued before that date, and
- (b) in relation to new shares issued on or after 6th April 2014 which correspond to old shares that were issued on or after that date—
  - (i) those new shares are treated as having been issued at the same time as those old shares, and
  - (ii) the amount of the successor company’s share capital and share premium in respect of those new shares is treated as the amount of share capital and share premium of the merging company in respect of those old shares.”.

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(a) 2007 c. 3; subsection (5A) of section 322 was inserted by paragraph 4 of Schedule 10 to the Finance Act 2014 (c. 26).  
(b) S.I. 2004/2199, amended by S.I. 2011/660; there are other amending instruments but none is relevant.  
(c) Sub-paragraph (f) of section 281(1) was inserted by paragraph 3 of Schedule 10 to the Finance Act 2014.

Harriett Baldwin  
Gavin Barwell

24th February 2015

Two of the Lords Commissioners for Her Majesty's Treasury

## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations amend the Venture Capital Trust (Winding up and Mergers) (Tax) Regulations 2004 (S.I. 2004/2199) (the "Principal Regulations").

Paragraph 3 of Schedule 10 to the Finance Act 2014 (c. 26) inserted new provisions (section 281(1)(f) and (1A)) into the Income Tax Act 2007 (c. 3) which provide that where a venture capital trust (a "VCT") issues shares on or after 6th April 2014 and makes a repayment of share capital before the end of the period specified, there will be grounds for its VCT approval to be withdrawn. Paragraph 4 of Schedule 10 to the Finance Act 2014 also inserted a new provision (section 322(5A)) into the Income Tax Act 2007 which enables provision to be made for section 281(1)(f) not to apply (or to apply subject to modifications) in circumstances where there is a merger of two or more VCTs.

Regulation 2 (which has effect in relation to new shares issued on or after 6 April 2014) amends regulation 13 of the Principal Regulations. It provides that where there has been a merger of VCTs, section 281(1)(f) applies to the successor company subject to two exceptions. Firstly, section 281(1)(f) does not apply to new shares issued on or after 6th April 2014 which correspond to old shares in the merging companies that had been issued before 6th April 2014. Where there has been a merger of VCTs and the old shares were issued on or after 6th April 2014 then without anything further the three year period required by section 281(1)(f) would apply from the end of the accounting period of the successor company in which the new shares were issued. The second exception ensures that for the purposes of section 281(1)(f) the new shares in the successor company are treated as issued at the same time and for the same consideration as the old shares.

Section 324(1)(e) of the Income Tax Act 2007 enables such provision to have retrospective effect.

A Tax Information and Impact Note covering this instrument was published on 19th March 2014 alongside Budget 2014 and is available at <https://www.gov.uk/government/publications/venture-capital-trusts-return-of-capital>. It remains an accurate summary of the impacts that apply to this instrument.

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