

Experts in the UK's Venture Capital Tax Reliefs

Venture Capital Tax Reliefs are a key part of the UK Government's strategy to help small and growing businesses raise much-needed capital. We specialise exclusively in this area, advising investors and companies raising finance alike.

VCT

VCT legislation was first enacted in 1995, but the rules have changed several times. The following description of the rules is as they stood immediately following the enactment of Finance Act 2016 with effect from 6 April 2016. This is a simplified summary and doesn't go into all the detail.

For more information, we suggest you read HMRC's published guidance [here](#).

What is a VCT?

A VCT is an investment company whose shares are listed on a European regulated market. It is required to invest in and maintain a portfolio of qualifying trading companies.

A VCT must:

- Derive its income wholly or mainly from shares and securities.
- Not retain more than 15% of the income from shares and securities.
- Not hold an investment in a company which exceeds 15% by value of its total investments.
- Have at least 70% of its investments in qualifying trading companies.
- Not make an investment in a company which causes that company to receive more than £5m of state aided investment in the 12 months ending on the date of the investment, or more than a total of £12m (£20m for a 'knowledge intensive' company).
- In general, not invest in a company whose trade is more than seven years old (ten years for a 'knowledge intensive' company).
- Not invest in a company which goes on to use the VCT funds to acquire another company or business.
- Only invest in qualifying holdings or certain non-qualifying holdings.
- Not return capital to shareholders within three years of the issue of shares.

The qualifying trading companies in which VCTs invest must also meet a number of detailed rules.

VCT tax reliefs for Investors

In order to obtain tax relief, investors must be at least 18 years of age. In addition, tax relief is only available for the first £200,000 of VCT shares acquired in any tax year.

As an investor, you can subscribe up to £200,000 in any tax year for new shares in VCTs. This enables you to enjoy Income Tax relief at 30% for amounts subscribed in new shares in VCTs. You must hold the shares for a period of at least five years.

A VCT will issue a tax certificate to its subscribers for shares which enable investors to claim the income tax relief.

Where an investor disposes of shares in a VCT within six months of a subscription in the same VCT (or in another VCT which at any time merges with that VCT), irrespective of the order of those transactions, income tax relief is restricted by reference to the proceeds received on disposal.

For all acquisitions of VCT shares, including purchases of existing VCT shares within the annual £200,000 limit, **you may:**

- Benefit from Dividend relief on any dividends received from VCTs.
- Benefit from exemption from tax on gains on disposal of VCT shares. Losses are also exempt, meaning there is no relief for losses.

If a VCT loses its status then the tax reliefs described above may be withdrawn.