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SCHEDULES

SCHEDULE 15

VENTURE CAPITAL TRUSTS: RELIEF FROM INCOME TAX

PART II

RELIEF ON DISTRIBUTIONS

7 (1) A relevant distribution of a venture capital trust shall not be regarded as income for any income tax purposes if the person beneficially entitled to it is a qualifying investor.

(2) For the purposes of this paragraph a person is a qualifying investor, in relation to any distribution, if he is an individual who has attained the age of eighteen years and is beneficially entitled to the distribution—

(a) as the person who himself holds the shares in respect of which the distribution is made, or

(b) as a person with such a beneficial entitlement to the shares as derives from their being held for him, or for his benefit, by a nominee of his.

(3) In this paragraph "relevant distribution", in relation to a company which is a venture capital trust, means any distribution which—

(a) consists in a dividend (including a capital dividend) which is paid in respect of any ordinary shares in that company which—

(i) were acquired by the person to whom the distribution is made at a time when the company was such a trust, and

(ii) are not shares acquired in excess of the permitted maximum for any year of assessment;

and

(b) is not a dividend paid in respect of profits or gains arising or accruing in any accounting period ending at a time when the company was not such a trust.

Meaning of "permitted maximum"

8 (1) For the purposes of this Part of this Schedule shares in a venture capital trust shall be treated, in relation to any individual, as acquired in excess of the permitted maximum for any year of assessment to the extent that the value of the shares comprised in the relevant acquisitions of that individual for that year exceeds £100,000.

(2) The reference in sub-paragraph (1) above to the relevant acquisitions of an individual for a year of assessment is a reference to all shares which—

(a) are acquired in that year of assessment by that individual or any nominee of his;

(b) are ordinary shares in a company which is a venture capital trust at the time of their acquisition; and

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(c) are shares so acquired for bona fide commercial purposes and not as part of a scheme or arrangement the main purpose of which, or one of the main purposes of which, is the avoidance of tax.

(3) Sub-paragraph (4) below applies where—

(a) any ordinary shares in a venture capital trust ("the new shares") are acquired by any individual in circumstances in which they are required for the purposes of the 1992 Act to be treated as the same assets as any other shares; and

(b) the other shares consist of or include any ordinary shares in a venture capital trust that were, or are treated as, acquired otherwise than in excess of the permitted maximum for any year of assessment.

(4) Where this sub-paragraph applies—

(a) the value of the new shares shall be disregarded in determining whether any other shares acquired in the same year of assessment as the new shares are acquired in excess of the permitted maximum for that year; and

(b) the new shares or, as the case may be, an appropriate proportion of them shall be treated as themselves acquired otherwise than in excess of the permitted maximum.

(5) For the purposes of this paragraph the value of any shares acquired by or on behalf of any individual shall be taken to be their market value (within the meaning of the 1992 Act) at the time of their acquisition.

(6) Where any shares in a venture capital trust are acquired in excess of the permitted maximum for any year of assessment, the shares representing the excess shall be identified for the purposes of this Part of this Schedule—

(a) by treating shares acquired later in the year as comprised in the excess before those acquired earlier in the year;

(b) by treating shares of different descriptions acquired on the same day as acquired within the permitted maximum in the same proportions as are borne by the respective values of the shares comprised in the acquisitions of each description to the total value of all the shares in the trust acquired on that day; and

(c) by applying the rules in section 151A(4) and (5) of the 1992 Act for determining the shares to which any disposal of shares in the trust relates (even one which is not a disposal for the purposes of that Act).

Interpretation of Part II

9 (1) In this Part of this Schedule "ordinary shares", in relation to a company, means shares forming part of the company's ordinary share capital.

(2) In this Part of this Schedule "nominee", in relation to any individual, includes the trustees of a bare trust of which that individual is the only beneficiary.