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for the Finance Act 2000, Part VIII. (See end of Document for details)*

SCHEDULES

SCHEDULE 15

THE CORPORATE VENTURING SCHEME

PART VIII

DEFERRAL RELIEF

Introduction

- 73 (1) This Part applies where—
- (a) a chargeable gain (“the original gain”) accrues to the investing company at any time (“the accrual time”),
 - (b) the gain is one accruing either—
 - (i) on a disposal of shares to which investment relief was attributable immediately before the disposal, or
 - (ii) by virtue of paragraph 79 on the occurrence of a chargeable event in relation to shares to which deferral relief is attributable immediately before the event,
- and
- (c) the investing company makes a qualifying investment.
- (2) In determining for the purposes of sub-paragraph (1)(a) whether or not a chargeable gain accrues at any time paragraph 76 (postponement of original gain) shall be disregarded.
- (3) Sub-paragraph (1)(b)(i) does not apply to a disposal of shares unless the shares were held by the investing company continuously from the time they were issued until the disposal.

Meaning of “qualifying investment”

- 74 (1) For the purposes of this Part the investing company makes a qualifying investment if—
- (a) it subscribes for any shares to which investment relief is attributable,
 - (b) the shares are not issued by a prohibited company,
 - (c) the shares are issued to the investing company at a qualifying time, and
 - (d) where the shares were issued before the accrual time—
 - (i) they have been held continuously by the investment company from the time they were issued until that time, and
 - (ii) investment relief is attributable to the shares at that time.
- (2) For the purposes of sub-paragraph (1)—
- “a prohibited company” means—

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- (a) the company whose shares comprised the original holding, or
- (b) a company that was, at the accrual time or the time of the issue of the qualifying shares (or both), a member of the same group as that company; and

“a qualifying time” means any time in the period of four years beginning one year before the accrual time.

- (3) For the purposes of the definition of “a prohibited company” in sub-paragraph (2), “the original holding” means—
- (a) where the original gain accrued as mentioned in sub-paragraph (i) of paragraph 73(1)(b), the shares disposed of, and
 - (b) where the original gain accrued as mentioned in sub-paragraph (ii) of paragraph 73(1)(b), the shares in relation to which the chargeable event occurred.

Meaning of “the qualifying share”s

- 75 (1) For the purposes of this Part “the qualifying shares”, in relation to a case where this Part applies, means the shares which are acquired by the investing company in making the qualifying investment.

This is subject to sub-paragraphs (2) and (4).

- (2) If any corresponding bonus shares are issued to the investing company, this Part shall apply as if references to the qualifying shares were to all the shares comprising the qualifying shares and the bonus shares so issued.
- (3) In sub-paragraph (2) “corresponding bonus shares” means bonus shares which—
- (a) are issued in respect of the qualifying shares, and
 - (b) are in the same company, of the same class and carry the same rights as those shares.
- (4) If in circumstances where paragraph 83 (certain exchanges resulting in acquisition of share capital by new company) applies new shares are issued in exchange for old shares, references in this Part to the qualifying shares, so far as they relate to the old shares, shall be construed as references to the new shares.

For this purpose “old shares” and “new shares” have the same meaning as in that paragraph.

Postponement of original gain

- 76 (1) On the making of a claim by the investing company for the purposes of this Part, so much of the investing company’s unused qualifying expenditure on the qualifying shares as—
- (a) is specified in the claim, and
 - (b) does not exceed so much of the original gain as is unmatched,
- shall be set against a corresponding amount of the original gain.
- (2) Where an amount of qualifying expenditure on the qualifying shares is set under this paragraph against the whole or part of the original gain, then for the purposes of corporation tax on chargeable gains—

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- (a) so much of that gain as is equal to that amount shall be treated as not having accrued at the accrual time, but
 - (b) paragraph 79 applies for determining the gain that is to be treated as accruing on the occurrence of any chargeable event in relation to any of the qualifying shares.
- (3) For the purposes of this Part—
- (a) the investing company’s qualifying expenditure on the qualifying shares is the amount subscribed by it for the shares, and
 - (b) that expenditure is unused to the extent that it has not already been set under this paragraph against the whole or any part of a chargeable gain.
- (4) For the purposes of this paragraph the original gain is unmatched in relation to any qualifying expenditure on the qualifying shares to the extent that it has not had any other expenditure set against it under this paragraph.

Meaning of “deferral relief”

- 77 For the purposes of this Schedule “deferral relief” is attributable to any shares if—
- (a) expenditure on the shares has been set under paragraph 76 against the whole or part of any gain, and
 - (b) there has been no chargeable event for the purposes of this Part in relation to the shares.

Chargeable events

- 78 (1) There is, for the purposes of this Part, a chargeable event in relation to any of the qualifying shares if—
- (a) the investing company disposes of those shares, or
 - (b) any other event occurs by reason of which the investment relief attributable to those shares is reduced or withdrawn otherwise than by virtue of paragraph 46(2) or (3) (withdrawal of investment relief on disposal of shares).
- (2) For the purposes of sub-paragraph (1)(b), where the qualifying investment is made before the time at which the original gain accrues, any reduction of the investment relief attributable to the qualifying shares that is made by reason of an event that occurs before the accrual time shall be disregarded.

Gain accruing on chargeable event

- 79 (1) This paragraph applies where a chargeable event occurs in relation to any of the qualifying shares in relation to which there has not been a previous chargeable event.
- (2) Where this paragraph applies, then for the purposes of corporation tax on chargeable gains—
- (a) a chargeable gain shall be treated as accruing to the investing company at the time of the event, and
 - (b) the amount of the gain shall be equal to so much of the deferred gain as is attributable to the shares in relation to which the chargeable event occurs.
- (3) In order to determine, for this purpose, the amount of the deferred gain attributable to any shares, a proportionate part of the amount of the gain shall be attributed to each

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of the qualifying shares held immediately before the occurrence of the chargeable event in question by the investing company.

- (4) In this paragraph “the deferred gain” means—
- (a) the amount of the original gain against which expenditure has been set under paragraph 76, less
 - (b) the amount of any gain treated as accruing under this paragraph previously in consequence of a chargeable event in relation to any of the qualifying shares.
- (5) For the purposes of [F1section 10B] of the 1992 Act (taxation of chargeable gains accruing to non-resident with UK branch or agency) a chargeable gain treated as accruing by virtue of this paragraph shall be treated as a chargeable gain accruing on the disposal of an asset to which subsection (3) of that section applies.

Textual Amendments

F1 Words in Sch. 15 para. 79(5) substituted (10.7.2003) (with effect in accordance with s. 155(2) of the amending Act) by [Finance Act 2003 \(c. 14\)](#), [Sch. 27 para. 9](#)

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