



# Finance Act 1995

## 1995 CHAPTER 4

### PART III

#### INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

##### *Venture capital trusts*

#### **F170 Approval of companies as trusts.**

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##### **Textual Amendments**

**F1** S. 70 repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

#### **F271 Income tax relief.**

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##### **Textual Amendments**

**F2** S. 71 repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

#### **72 Capital gains.**

- (1) The <sup>M1</sup>Taxation of Chargeable Gains Act 1992 shall be amended as follows.
- (2) In section 100(1) (exemption from charge for gains accruing to authorised unit trusts, investment trusts etc.), after “investment trust” there shall be inserted “ a venture capital trust ”.

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*Changes to legislation: There are currently no known outstanding effects for the Finance Act 1995, Cross Heading: Venture capital trusts. (See end of Document for details)*

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- (3) In Chapter III of Part IV (miscellaneous provisions relating to securities), after section 151 there shall be inserted the following sections—

**“151A Venture capital trusts: reliefs.**

- (1) A gain or loss accruing to an individual on a qualifying disposal of any ordinary shares in a company which—
  - (a) was a venture capital trust at the time when he acquired the shares, and
  - (b) is still such a trust at the time of the disposal,
 shall not be a chargeable gain or, as the case may be, an allowable loss.
- (2) For the purposes of this section a disposal of shares is a qualifying disposal in so far as—
  - (a) it is made by an individual who has attained the age of eighteen years;
  - (b) the shares disposed of were not acquired in excess of the permitted maximum for any year of assessment; and
  - (c) that individual acquired those shares 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) Schedule 5C shall have effect for providing relief in respect of gains invested in venture capital trusts.
- (4) In determining for the purposes of this section whether a disposal by any person of shares in a venture capital trust relates to shares acquired in excess of the permitted maximum for any year of assessment, it shall be assumed (subject to subsection (5) below)—
  - (a) as between shares acquired by the same person on different days, that those acquired on an earlier day are disposed of by that person before those acquired on a later day; and
  - (b) as between shares acquired by the same person on the same day, that those acquired in excess of the permitted maximum are disposed of by that person before he disposes of any other shares acquired on that day.
- (5) It shall be assumed for the purposes of subsection (1) above that a person who disposes of shares in a venture capital trust disposes of shares acquired at a time when it was not such a trust before he disposes of any other shares in that trust.
- (6) References in this section to shares in a venture capital trust acquired in excess of the permitted maximum for any year of assessment shall be construed in accordance with the provisions of Part II of Schedule 15B to the Taxes Act; and the provisions of that Part of that Schedule shall apply (with subsections (4) and (5) above) for identifying the shares which are, in any case, to be treated as representing shares acquired in excess of the permitted maximum.
- (7) In this section and section 151B “ordinary shares”, in relation to a company, means any shares forming part of the company’s ordinary share capital (within the meaning of the Taxes Act).

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### **151B Venture capital trusts: supplementary.**

- (1) Sections 104, 105 and 107 shall not apply to any shares in a venture capital trust which are eligible for relief under section 151A(1).
- (2) Subject to the following provisions of this section, where—
  - (a) an individual holds any ordinary shares in a venture capital trust,
  - (b) some of those shares fall within one of the paragraphs of subsection (3) below, and
  - (c) others of those shares fall within at least one other of those paragraphs,then, if there is within the meaning of section 126 a reorganisation affecting those shares, section 127 shall apply separately in relation to the shares (if any) falling within each of the paragraphs of that subsection (so that shares of each kind are treated as a separate holding of original shares and identified with a separate new holding).
- (3) The kinds of shares referred to in subsection (2) above are—
  - (a) any shares in a venture capital trust which are eligible for relief under section 151A(1) and by reference to which any person has been given or is entitled to claim relief under Part I of Schedule 15B to the Taxes Act;
  - (b) any shares in a venture capital trust which are eligible for relief under section 151A(1) but by reference to which no person has been given, or is entitled to claim, any relief under that Part of that Schedule;
  - (c) any shares in a venture capital trust by reference to which any person has been given, or is entitled to claim, any relief under that Part of that Schedule but which are not shares that are eligible for relief under section 151A(1); and
  - (d) any shares in a venture capital trust that do not fall within any of paragraphs (a) to (c) above.
- (4) Where—
  - (a) an individual holds ordinary shares in a company (“the existing holding”),
  - (b) there is, by virtue of any such allotment for payment as is mentioned in section 126(2)(a), a reorganisation affecting the existing holding, and
  - (c) immediately following the reorganisation, the shares or the allotted holding are shares falling within any of paragraphs (a) to (c) of subsection (3) above,sections 127 to 130 shall not apply in relation to the existing holding.
- (5) Sections 135 and 136 shall not apply where—
  - (a) the exchanged holding consists of shares falling within paragraph (a) or (b) of subsection (3) above; and
  - (b) that for which the exchanged holding is or is treated as exchanged does not consist of ordinary shares in a venture capital trust.
- (6) Where—
  - (a) the approval of any company as a venture capital trust is withdrawn, and

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- (b) the withdrawal of the approval is not one to which section 842AA(8) of the Taxes Act applies,

any person who at the time when the withdrawal takes effect is holding shares in that company which (apart from the withdrawal) would be eligible for relief under section 151A(1) shall be deemed for the purposes of this Act, at that time, to have disposed of and immediately re-acquired those shares for a consideration equal to their market value at that time.

- (7) The disposal that is deemed to take place by virtue of subsection (6) above shall be deemed for the purposes of section 151A to take place while the company is still a venture capital trust; but, for the purpose of applying sections 104, 105 and 107 to the shares that are deemed to be re-acquired, it shall be assumed that the re-acquisition for which that subsection provides takes place immediately after the company ceases to be such a trust.

- (8) For the purposes of this section—

- (a) shares are eligible for relief under section 151A(1) at any time when they are held by an individual whose disposal of the shares at that time would (on the assumption, where it is not the case, that the individual attained the age of eighteen years before that time) be a disposal to which section 151A(1) would apply; and

- (b) shares shall not, in relation to any time, be treated as shares by reference to which relief has been given under Part I of Schedule 15B to the Taxes Act if that time falls after—

- (i) any relief given by reference to those shares has been reduced or withdrawn,
- (ii) any chargeable event (within the meaning of Schedule 5C) has occurred in relation to those shares, or
- (iii) the death of a person who held those shares immediately before his death;

and

- (c) the references, in relation to sections 135 and 136, to the exchanged holding is a reference to the shares in company B or, as the case may be, to the shares or debentures in respect of which shares or debentures are issued under the arrangement in question.”

<sup>F3</sup>(4) .....

- (5) In section 257(1) (gifts to charities etc.), after paragraph (b) there shall be inserted—  
“and the disposal is not one in relation to which section 151A(1) has effect.”

<sup>F4</sup>(6) .....

- (7) In section 288(1) (interpretation), after the definition of “trading stock” there shall be inserted the following definition—

““venture capital trust” has the meaning given by section 842AA of the Taxes Act;”.

- (8) Subsection (2) above shall have effect in relation to gains accruing on or after 6th April 1995 and the other provisions of this section have effect for the year 1995-96 and subsequent years of assessment.

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**Changes to legislation:** There are currently no known outstanding effects for the Finance Act 1995, Cross Heading: Venture capital trusts. (See end of Document for details)

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**Textual Amendments**

- F3** S. 72(4) repealed (with effect in accordance with Sch. 19 para. 7 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 42 Pt. 2\(13\)](#)
- F4** S. 72(6) repealed (with effect in accordance with Sch. 21 para. 10(8) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 42 Pt. 2\(14\)](#)
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**Marginal Citations**

- M1** 1992 c. 12.

**<sup>F5</sup>73 Regulations.**

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**Textual Amendments**

- F5** S. 73 repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), Sch. 1 para. 365, [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

**Changes to legislation:**

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Venture capital trusts.