
Changes to legislation: There are currently no known outstanding effects for the Finance Act 2001, SCHEDULE 16. (See end of Document for details)

SCHEDULES

SCHEDULE 16

Section 64.

VENTURE CAPITAL

^{F1}PART 1

VENTURE CAPITAL TRUSTS

Textual Amendments

- F1** Sch. 16 Pt. 1 repealed (with effect in accordance with s. 1034(1) of the amending Act) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 3 Pt. 1](#) (with [Sch. 2](#))

Meaning of “qualifying holdings”

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Income tax relief: repayment supplements

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PART 2

CORPORATE VENTURING SCHEME

Introductory

- 4 Schedule 15 to the Finance Act 2000 (c. 17) (corporate venturing scheme) is amended in accordance with this Part.

Money raised by issue of shares

- 5 (1) In paragraph 36 (requirement that money raised is employed for purposes of a relevant trade), for sub-paragraph (1) substitute—

“(1) At least 80% of the money raised by the issuance of the relevant issue of shares must have been employed wholly for the purposes of a relevant trade not later than the time determined in accordance with sub-paragraph (1B).

- (1A) All of the money so raised must have been so employed not later than 12 months after that time.

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- (1B) The time referred to in sub-paragraph (1) is—
- (a) the end of the period of 12 months beginning with the issue of the shares, or
 - (b) where the relevant trade was not being carried on at the time the shares were issued, the end of the period of 12 months beginning when the issuing company or a subsidiary begins to carry on the relevant trade.

(1C) Sub-paragraphs (1) and (1A) are subject to sub-paragraph (5).”.

- (2) In sub-paragraph (5) of that paragraph—
- (a) in paragraph (a) for “any of the money mentioned in sub-paragraph (1)” substitute “ any of the money raised by the issuance of the relevant issue of shares ”, and
 - (b) for “the requirement of sub-paragraph (1)” substitute “ the requirement of sub-paragraph (1) does not apply and the requirement of sub-paragraph (1A) ”.
- (3) The amendments made by this paragraph have effect—
- (a) in relation to shares issued on or after 7th March 2001, and
 - (b) in respect of the application of Schedule 15 to the Finance Act 2000 (c. 17) (corporate venturing scheme) on or after 7th March 2001 in relation to shares—
 - (i) that were issued after 31st March 2000 but before 7th March 2001, and
 - (ii) to which investment relief (within the meaning of that Schedule) was attributable immediately before 7th March 2001.

Receipt of replacement value

- 6 (1) In paragraph 54 (receipt of replacement value), at the beginning of sub-paragraph (1) (c) insert “ the amount of ”.
- (2) After sub-paragraph (2) of that paragraph insert—
- “(2A) Where the amount of the original value is, by virtue of paragraph 51, treated as reduced for the purposes of paragraph 47, the reference in sub-paragraph (1)(c) to the amount of the original value shall be read as a reference to the amount of that value disregarding the reduction.”.
- (3) In sub-paragraph (3) of that paragraph (qualifying receipts), for paragraphs (a) to (c) substitute—
- “(a) by reason of the original recipient doing one or more of the following—
 - (i) making a payment to the original supplier other than an excepted payment;
 - (ii) acquiring any asset from the original supplier for a consideration the amount or value of which is more than the market value of the asset;
 - (iii) disposing of any asset to the original supplier for no consideration or for a consideration the amount or value of which is less than the market value of the asset; or

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- (b) where the receipt of the original value was within paragraph 49(1)(d), by reason of an event the effect of which is to reverse the event which constituted the receipt of the original value.”.

(4) After that sub-paragraph insert—

“(3A) For the purposes of sub-paragraph (3)(a)(i), the following are excepted payments—

- (a) any payment for any goods, services or facilities, provided (whether in the course of a trade or otherwise) by—
 - (i) the original supplier, or
 - (ii) any other person who, at any time in the period of restriction relating to the relevant shares, is an associate of, or connected with, that supplier (whether or not he is such an associate, or so connected, at the material time),
which is reasonable in relation to the market value of those goods, services or facilities;
- (b) any payment of any interest which represents no more than a reasonable commercial return on money lent to—
 - (i) the original recipient, or
 - (ii) any other person who, at any time in the period of restriction relating to the relevant shares, is an associate of, or connected with, that recipient (whether or not he is such an associate, or so connected, at the material time);
- (c) any payment, as rent for any property occupied by—
 - (i) that recipient, or
 - (ii) any person who, at any time in the period of restriction relating to the relevant shares, is an associate of, or connected with, that recipient (whether or not he is such an associate, or so connected, at the material time),
of an amount not exceeding a reasonable and commercial rent for the property;
- (d) any payment within paragraph (c), (d) or (f) of the definition of “qualifying payment” in paragraph 49(5); and
- (e) any payment for shares in or securities of any company in circumstances that do not fall within sub-paragraph (3)(a)(ii).”.

(5) For sub-paragraph (4) of that paragraph (calculation of amounts of original and replacement value) substitute—

“(4) For the purposes of this paragraph, the amount of the replacement value is—

- (a) in a case within paragraph (a) of sub-paragraph (3), the aggregate of—
 - (i) the amount of any payment within sub-paragraph (i) of that paragraph, and
 - (ii) the difference between the market value of any asset to which sub-paragraph (ii) or (iii) of that paragraph applies and the amount or value of the consideration (if any) received for it, and
- (b) in a case within sub-paragraph (3)(b), the amount of the original value,

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and paragraph 50 shall apply for the purposes of determining the amount of the original value.”.

- (6) The amendment made by sub-paragraph (1) shall be deemed always to have had effect.
- (7) Subject to that, the amendments made by this paragraph have effect—
- (a) in relation to shares issued on or after 7th March 2001, and
 - (b) in relation to shares issued after 31st March 2000 but before 7th March 2001, in respect of value received (within the meaning of paragraph 49 of Schedule 15 to the Finance Act 2000 (c. 17)) on or after 7th March 2001.
- 7 (1) In paragraph 55 (provision supplementary to paragraph 54), after sub-paragraph (4) insert—
- “(5) In this paragraph “the original value” and “the replacement value” shall be construed in accordance with paragraph 54.”.
- (2) The amendment made by this paragraph shall be deemed always to have had effect.

Value received by other persons

- 8 (1) In paragraph 56 (reduction or withdrawal of investment relief as a result of value received by certain persons), in sub-paragraph (3) (receipts of value which do not result in the withdrawal or reduction of relief), after paragraph (c) insert—
- “or it would have the effect mentioned in paragraph (a), (b) or (c) were it not a receipt of insignificant value for the purposes of paragraph 47 (value received by the investing company), section 300 of the Taxes Act 1988 or paragraph 13 of Schedule 5B to the 1992 Act, as the case may be”.
- (2) The amendment made by this paragraph has effect—
- (a) in relation to shares issued on or after 7th March 2001, and
 - (b) in respect of shares issued after 31st March 2000 but before 7th March 2001, in relation to any repayment (within the meaning of paragraph 57(2) of Schedule 15 to the Finance Act 2000) made on or after 7th March 2001.

Insignificant repayments disregarded

- 9 (1) In paragraph 57 (repayments etc. of insignificant amounts disregarded for the purposes of paragraph 56), in sub-paragraph (1) after “remaining” insert “ issued ”.
- (2) In sub-paragraph (3) of that paragraph for “payment” substitute “ repayment ”.
- (3) The amendment made by sub-paragraph (1) has effect—
- (a) in relation to shares issued on or after 7th March 2001, and
 - (b) in respect of shares issued after 31st March 2000 but before 7th March 2001, in relation to repayments (within the meaning of paragraph 57(2) of Schedule 15 to the Finance Act 2000) made on or after 7th March 2001.
- (4) The amendment made by sub-paragraph (2) shall be deemed always to have had effect.

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