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**Changes to legislation:** There are currently no known outstanding effects for the Finance (No. 2) Act 2015, Cross Heading: Qualifying holdings. (See end of Document for details)

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## SCHEDULES

### SCHEDULE 6

#### VENTURE CAPITAL TRUSTS

##### *Qualifying holdings*

- 6 (1) Section 286 (qualifying holdings: introduction) is amended as follows.
- (2) In subsection (2), omit the “and” at the end of paragraph (a) and after paragraph (b) insert “, and
- (c) those shares or securities were first issued by the relevant company in order to raise money for the purposes of promoting growth and development of—
- (i) if the relevant company is a single company, the business of that company, and
- (ii) if it is a parent company, what would be the business of the group if the activities of the group companies taken together were regarded as one business.”
- (3) In subsection (3)—
- (a) in paragraph (ea), for “capital schemes” substitute “finance investments”,
- (b) after that paragraph insert—
- “(eaa) the maximum risk finance investments when the relevant holding is issued (see section 292AA),
- (eab) the maximum risk finance investments during the 5-year post-investment period (see section 292AB),”,
- (c) omit paragraph (eb),
- (d) after paragraph (g) insert—
- “(ga) the permitted company age requirement (see section 294A),” and
- (e) after paragraph (ja) insert—
- “(jb) the proportion of skilled employees (see section 297B),”.
- 7 (1) Section 292A (the maximum amount raised annually through risk capital schemes requirement) is amended as follows.
- (2) For subsection (2) substitute—
- “(2) In subsection (1), the reference to relevant investments made in the relevant company includes—
- (a) relevant investments made in any company that has at any time in the year mentioned there been a 51% subsidiary of the relevant company (including investments made in such a company before it became such a subsidiary but, if it was not a subsidiary at the end of that year, not those made after it last ceased to be such a subsidiary),

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- (b) any other relevant investment made in a company to the extent that the money raised by the investment has been employed for the purposes of a trade carried on by another company that has at any time in that year been a 51% subsidiary of the relevant company (but, if it is not such a subsidiary at the end of that year, ignoring any money so employed after it last ceased to be such a subsidiary), and
  - (c) any other relevant investment made in a company if—
    - (i) the money raised by the investment has been employed for the purposes of a trade carried on by that company or another person, and
    - (ii) in that year, after that investment was made, the trade (or a part of it) became a relevant transferred trade (see subsection (2B)).
- (2A) If only a proportion of the money raised by a relevant investment is employed for the purposes of a trade which becomes a relevant transferred trade, the reference in subsection (2)(c) to the relevant investment is to be read as a reference to the corresponding proportion of that investment.
- (2B) Where—
  - (a) in the year mentioned in subsection (1) a trade is transferred—
    - (i) to the relevant company,
    - (ii) to a company that is, or has at any time during that year been, a 51% subsidiary of the relevant company, or
    - (iii) to a partnership of which a company within subparagraph (i) or (ii) is a member,
 (including where it is transferred to a company within subparagraph (ii), or a partnership of which such a company is a member, at a time in the year before the company became such a subsidiary but not where it is transferred to such a company or partnership in that year after the company last ceased to be such a subsidiary), and
  - (b) that trade or a part of it was previously (at any time) carried on by another person,
 the trade or part mentioned in paragraph (b) becomes a “relevant transferred trade” at the time it is transferred as mentioned in paragraph (a).”
- (3) In subsection (3)—
  - (a) after paragraph (b) insert—
    - “(ba) an investment is made in the company and (at any time) the company provides a compliance statement under section 257PB (tax relief for social investments) in respect of the investment, or”, and
  - (b) in paragraph (c), for “Community Guidelines on Risk Capital Investments in Small and Medium-sized Enterprises” substitute “European Commission's Guidelines on State aid to promote risk finance investment”.
- (4) In subsection (4) for “and (2)” substitute “to (2B)”.
- (5) After subsection (4) insert—

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“(4A) Section 257KB applies in determining for those purposes when an investment within subsection (3)(ba) is made as it applies for the purposes of Part 5B (tax relief on social investments).”

(6) In subsection (5), after “205” insert “, 257ED or 257PB ”.

(7) After subsection (6) insert—

“(7) Section 280B(8) and (9) (meaning of “trade” etc) applies for the purposes of this section as it applies for the purposes of section 280B.”

(8) In the heading, for “capital schemes” substitute “ finance investments ”.

8 After section 292A insert—

**“292AA Maximum risk finance investments when relevant holding is issued requirement**

(1) The total amount of relevant investments made in the relevant company on or before the investment date must not exceed—

- (a) if the relevant company is a knowledge-intensive company at the investment date (see section 331A), £20 million, and
- (b) in any other case, £12 million.

(2) In subsection (1), the reference to relevant investments made in the relevant company includes—

- (a) relevant investments made in any company that is at the investment date, or has at any time before that date been, a 51% subsidiary of the relevant company (including investments made in such a company before it became such a subsidiary but, if it is not such a subsidiary at the investment date, not investments made in it after it last ceased to be such a subsidiary),
- (b) any other relevant investment made in a company to the extent that the money raised by the investment has been employed for the purposes of a trade carried on by another company that has at any time on or before the investment date been a 51% subsidiary of the relevant company (but, if it is not such a subsidiary at the investment date, ignoring any money so employed after it last ceased to be such a subsidiary), and
- (c) any other relevant investment made in a company if—
  - (i) the money raised by the investment has been employed for the purposes of a trade carried on by that company or another person, and
  - (ii) after the investment was made, but on or before the investment date, that trade became a relevant transferred trade (see subsection (4)).

(3) If only a proportion of the money raised by a relevant investment is employed for the purposes of a trade which becomes a relevant transferred trade, the reference in subsection (2)(c) to the relevant investment is to be read as a reference to the corresponding proportion of that investment.

(4) Where—

- (a) at any time on or before the investment date, a trade is transferred—

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- (i) to the relevant company,
  - (ii) to a company that at the investment date is, or has at any time before that date been, a 51% subsidiary of the relevant company, or
  - (iii) to a partnership of which a company within subparagraph (i) or (ii) is a member,
- (including where it is transferred to a company within subparagraph (ii), or a partnership of which such a company is a member, before the company became such a subsidiary but, if the company is not such a subsidiary at the investment date, not where it is transferred to such a company or partnership after the company last ceased to be such a subsidiary), and
- (b) the trade or a part of it was previously (at any time) carried on by another person,
- the trade or part mentioned in paragraph (b) becomes a “relevant transferred trade” at the time it is transferred as mentioned in paragraph (a).

(5) In this section—

“the investment date” means the date the relevant holding is issued;

“relevant investment” has the meaning given by section 292A(3), and section 292A(4) and (4A) (which determine when certain investments are made) applies for the purposes of this section;

and section 280B(8) and (9) (meaning of “trade” etc) applies for the purposes of this section as it applies for the purposes of section 280B.

- (6) Subsection (7) applies if, by virtue of the provision of a compliance statement under section 205, 257ED or 257PB, the requirement of this section is not met.
- (7) The requirement is to be treated as having been met throughout the period—
  - (a) beginning with the investment date, and
  - (b) ending with the time the compliance statement was provided.

### **292AB Maximum risk finance investments during the 5-year post-investment period requirement**

- (1) The requirement of this section applies if condition A or B is met.
- (2) Condition A is that—
  - (a) a company becomes a 51% subsidiary of the relevant company at any time during the 5-year post-investment period,
  - (b) all or part of the money raised by the issue of the relevant holding is employed for the purposes of a relevant qualifying activity which consists wholly or in part of a trade carried on by that company, and
  - (c) that trade (or a part of it) was carried on by that company before it became a 51% subsidiary as mentioned in paragraph (a).
- (3) Condition B is that all or part of the money raised by the issue of the relevant holding is employed for the purposes of a relevant qualifying activity which consists wholly or in part of a trade which, during the 5-year post-investment period, becomes a relevant transferred trade (see subsection (7)).

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- (4) The requirement of this section is that, at all times during the 5-year post-investment period, the total of the relevant investments made in the relevant company before the time in question (“the relevant time”) must not exceed—
- (a) if the relevant company is a knowledge-intensive company at the investment date (see section 331A), £20 million, and
  - (b) in any other case, £12 million.
- (5) In subsection (4) the reference to relevant investments made in the relevant company includes—
- (a) any relevant investment made in any company that has at any time before the relevant time been a 51% subsidiary of the relevant company (including investments made in that company before it became such a subsidiary but, if it is not such a subsidiary at the relevant time, not investments made in it after it last ceased to be such a subsidiary),
  - (b) any other relevant investment made in a company to the extent that the money raised by the investment has been employed for the purposes of a trade carried on by another company that has at any time before the relevant time been a 51% subsidiary of the relevant company (but, if it is not such a subsidiary at the relevant time, ignoring any money so employed after it last ceased to be such a subsidiary), and
  - (c) any other relevant investments made in a company where—
    - (i) the money raised by the investment has been employed for the purposes of a trade carried on by that company or another person, and
    - (ii) after that investment was made, but before the relevant time, that trade (or a part of it) became a relevant transferred trade (see subsection (7)).
- (6) If only a proportion of the money raised by a relevant investment is employed for the purposes of a trade which became a relevant transferred trade, the reference in subsection (5)(c) to the relevant investment is to be read as a reference to the corresponding proportion of that investment.
- (7) Where—
- (a) a trade is transferred—
    - (i) to the relevant company,
    - (ii) to a company that at the relevant time is, or has before that time been, a 51% subsidiary of the relevant company, or
    - (iii) to a partnership of which a company within subparagraph (i) or (ii) is a member,(including where it is transferred to a company within subparagraph (ii), or a partnership of which such a company is a member, before the company became such a subsidiary but, if the company is not such a subsidiary at the relevant time, not where it is transferred to such a company or partnership after the company last ceased to be such a subsidiary), and
  - (b) the trade or a part of it was previously (at any time) carried on by another person,

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the trade or part mentioned in paragraph (b) becomes a “relevant transferred trade” at the time it is transferred as mentioned in paragraph (a).

(8) In this section—

“5-year post-investment period” means the period of 5 years beginning with the day after the investment date;

“the investment date” means the date on which the relevant holding is issued;

“relevant investment” has the meaning given by section 292A(3), and section 292A(4) and (4A) (which determines when certain investments are made) applies for the purposes of this section;

and section 280B(8) and (9) (meaning of “trade” etc) applies for the purposes of this section as it applies for the purposes of section 280B.

(9) Subsection (10) applies if, by virtue of the provision of a compliance statement under section 205, 257ED or 257PB, the requirement of this section is not met.

(10) The requirement is to be treated as having been met throughout the period—

(a) beginning with the investment date, and

(b) ending with the time the compliance statement was provided.”

9 Omit section 292B (the spending of money raised by SEIS investment requirement).

10 In section 293 (the use of the money raised requirement), for subsection (5A) substitute—

“(5ZA) Employing money raised by the issue of the relevant holding (whether on its own or together with other money) on the acquisition, directly or indirectly, of—

(a) an interest in another company such that a company becomes a 51% subsidiary of the relevant company,

(b) a further interest in a company which is a 51% subsidiary of the relevant company,

(c) a trade,

(d) intangible assets employed for the purposes of a trade, or

(e) goodwill employed for the purposes of a trade,

does not amount to employing the money for the purposes of a relevant qualifying activity.

(5ZB) The Treasury may by regulations provide that subsection (5ZA) does not apply in relation to acquisitions of intangible assets which are of a description specified, or which occur in circumstances specified, in the regulations.

(5ZC) For the purposes of subsections (5ZA) and (5ZB)—

“goodwill” has the same meaning as in Part 8 of CTA 2009 (see section 715(3));

“intangible assets” means any asset which falls to be treated as an intangible asset in accordance with generally accepted accountancy practice;

and section 280B(8) and (9) (meaning of “trade” etc) applies for the purposes of this section as it applies for the purposes of section 280B.

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- (5A) Also, otherwise employing money on the acquisition of shares in a company does not of itself amount to employing the money for the purposes of a relevant qualifying activity.”

11 After section 294 insert—

**“294A The permitted company age requirement**

- (1) The requirement of this section is that, if the relevant holding is issued after the initial investing period, condition A, B or C must be met.
- (2) “The initial investing period” means—
  - (a) where the relevant company is a knowledge-intensive company at the investment date, the period of 10 years beginning with the relevant first commercial sale, and
  - (b) in any other case, the period of 7 years beginning with that sale.
- (3) Condition A is that—
  - (a) a relevant investment was made in the relevant company before the end of the initial investing period, and
  - (b) some or all of the money raised by that investment was employed for the purposes of the relevant qualifying activity (or a part of it).
- (4) Condition B is that—
  - (a) the total amount of relevant investments made in the relevant company in a period of 30 consecutive days which includes the investment date is at least 50% of the average turnover amount, and
  - (b) the money raised by those investments is employed for the purpose of entering a new product or geographical market.
- (5) Condition C is that—
  - (a) condition B in subsection (4) or condition B in section 175A(4) (EIS: permitted company age requirement) was previously met in relation to one or more relevant investments made in the relevant company, and
  - (b) some or all of the money raised by those investment was employed for the purposes of the relevant qualifying activity.
- (6) “The relevant first commercial sale” means the earliest of the following—
  - (a) the first commercial sale made by the relevant company,
  - (b) the first commercial sale made by a company that is at the investment date, or before that date has been, a 51% subsidiary of the relevant company (including a sale made by a company before it became such a subsidiary but, if it is not such a subsidiary at the investment date, not a sale made after it last ceased to be such a subsidiary),
  - (c) the first commercial sale made by any person who previously (at any time) carried on a trade which was subsequently carried on, on or before the investment date, by—
    - (i) the relevant company, or
    - (ii) a company that is at the investment date, or before that date has been, a 51% subsidiary of the relevant company,

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- (including a trade subsequently carried on by such a company before it became such a subsidiary but, if it not such a subsidiary at the investment date, not a trade which it carried on only after it last ceased to be such a subsidiary);
- (d) the first commercial sale made by a company which becomes a 51% subsidiary of the relevant company after the investment date in circumstances where all or part of the money raised by the issue of the relevant holding is employed for the purposes of an activity carried on by that subsidiary (including a sale made by such a company before it became such a subsidiary);
  - (e) the first commercial sale made by any person who previously (at any time) carried on a trade which was subsequently carried on by a company mentioned in paragraph (d) (including a trade carried on by such a company before it became such a subsidiary);
  - (f) if the money raised by the issue of the relevant holding (or any part of it) is employed for the purposes of a trade which has been transferred after the investment date to the relevant company or a 51% subsidiary of that company (or to a partnership of which the relevant company or such a subsidiary is a member), having previously (at any time) been carried on by another person, the first commercial sale made by that other person.
- (7) “The average turnover amount” means one fifth of the total relevant turnover amount for the five year period which ends—
- (a) immediately before the beginning of the last accounts filing period, or
  - (b) if later, 12 months before the investment date.
- (8) In this section—
- “entering a new product or geographical market” has the same meaning as in [Commission Regulation \(EU\) No 651/2014](#) (General block exemption Regulation);
  - “first commercial sale” has the same meaning as in the European Commission's Guidelines on State aid to promote risk finance investments (as those guidelines may be amended or replaced from time to time);
  - “the investment date” means the date the relevant holding is issued;
  - “the last accounts filing period” means the last period for filing (within the meaning of section 442 of the Companies Act 2006) for the relevant company which ends before the date on which the relevant holding is issued;
  - “relevant investment” has the meaning given by section 292A(3), and section 292A(4) and (4A) (which determines when certain investments are made) applies for the purposes of this section;
  - “relevant qualifying activity” means the qualifying activity for which the money raised by the issue of the relevant holding is employed;
  - “the total relevant turnover amount” for a period is—
- (a) if the relevant company is a single company at the investment date, the sum of—



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- (i) the relevant company's turnover for that period,
  - (ii) if all or part of the money raised by the issue of the relevant shares is employed for the purposes of an activity carried on by a company which becomes a 51% subsidiary of the relevant company after the investment date, the turnover for that period of that subsidiary (or, if there is more than one, each of them), and
  - (iii) if all or part of the money raised by the issue of the relevant shares is employed for the purposes of a transferred trade, the turnover of that trade for so much of that period as falls before the trade became a transferred trade (except to the extent that it is already included in calculating the amounts within sub-paragraphs (i) and (ii));
- (b) if the relevant company is a parent company at the investment date, the sum of—
  - (i) the relevant company's turnover for that period,
  - (ii) the turnover for that period of each company which at the investment date is a 51% subsidiary of the relevant company,
  - (iii) if all or part of the money raised by the issue of the relevant holding is employed for the purposes of an activity carried on by a company which becomes a 51% subsidiary of the relevant company after the investment date, the turnover for that period of that subsidiary (or, if there is more than one, each of them), and
  - (iv) if all or part of the money raised by the issue of the relevant shares is employed for the purposes of a transferred trade, the turnover of that trade for so much of that period as falls before the trade became a transferred trade (except to the extent that it is already included in calculating the amounts within sub-paragraphs (i) to (iii));

“transferred trade” means a trade which has been transferred to the company which is carrying on the trade at the time the money raised by the issue of the relevant holding is employed or to a partnership of which that company is a member;

“turnover”—

- (a) in relation to a company, has the meaning given by section 474(1) of the Companies Act 2006 and is to be determined by reference to the accounts of companies and amounts recognised for accounting purposes (and such apportionments of those amounts as are just and reasonable are to be made for the purpose of determining a company's turnover for a period);
- (b) in relation to any other person carrying on a trade, also has the meaning given by section 474(1) of that Act (reading references in that provision to a company as references to the person) and is to be determined by reference to the accounts

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of the person and amounts recognised for accounting purposes (and such apportionments of those amounts as are just and reasonable are to be made for the purpose of determining a person's turnover for a period);

- (c) in relation to a transferred trade carried on by a company or other person, means such proportion of the turnover of the company or other person as it is just and reasonable to attribute to the transferred trade;

and section 280B(8) and (9) (meaning of “trade” etc) applies for the purposes of this section as it applies for the purposes of section 280B.”

12 In section 297A (the number of employees requirement)—

- (a) in subsections (1) and (2) for “250” substitute “ the permitted limit ”, and
- (b) after subsection (3) insert—

“(3A) The permitted limit” means—

- (a) if the relevant company is a knowledge-intensive company at the time the relevant holding is issued (see section 331A), 500, and
- (b) in any other case, 250.

(3B) The Treasury may by regulations amend subsection (3A)(a) or (b) by substituting a different number for the number for the time being specified there.”

13 After that section insert—

**“297B The proportion of skilled employees requirement**

(1) The requirement of this section is that, where the conditions in subsection (2) are met, at all times in the period of 3 years beginning with the issue of the relevant holding—

- (a) if the relevant company is a single company, the FTE skilled employee number must be at least 20% of the FTE employee number, and
- (b) if the relevant company is a parent company, the FTE group skilled employee number must be at least 20% of the FTE group employee number.

(2) The conditions are that—

- (a) the requirements one or more of sections 292AA, 294A and 297A (the maximum risk finance investments when relevant holding is issued requirement and the number of employees requirement) is or are met only by reason of the relevant company being a knowledge-intensive company at the time the relevant holding was issued, and
- (b) the innovation condition in section 331A(6) was not met by the relevant company at that time.

(3) The requirement of this section is not to be regarded as failing to be met at a time when the relevant company, by virtue of section 292 (companies in administration or receivership), is not regarded as having ceased to meet the trading requirement.

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- (4) In this section “FTE employee number”, “FTE group employee number”, “FTE skilled employee number” and “FTE group skilled employee number” have the meaning given by section 331A(10) (meaning of “knowledge-intensive company”).”

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