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STATUTORY INSTRUMENTS

2018 No. 931 (C. 71)

INCOME TAX

The Finance Act 2018, Section 14 and Schedules 4 and 5 (Commencement) Regulations 2018

Made - - - - 8th August 2018

The Treasury, in exercise of the powers conferred by section 14(4) and (5) of, paragraph 10 of Schedule 4 to, and paragraphs 13 and 14 of Schedule 5 to, the Finance Act 2018(1), make the following Regulations:

Citation

1. These Regulations may be cited as the Finance Act 2018, Section 14 and Schedules 4 and 5 (Commencement) Regulations 2018.

Commencement of Section 14(1) to (3) of the Finance Act 2018

2. The amendments made by section 14(1) to (3) of the Finance Act 2018 (EIS, SEIS and VCT reliefs: risk to capital) come into force and have effect as follows—

- (a) the amendments made by subsections (1) and (2) have effect for shares issued on or after 15 March 2018; and
- (b) the amendments made by subsection (3) have effect for shares or securities issued on or after 15 March 2018.

Commencement of Paragraphs 1 to 9 of Schedule 4 to the Finance Act 2018

3. The amendments made by paragraphs 1 to 9 of Schedule 4 to the Finance Act 2018 (EIS and VCT reliefs: knowledge-intensive companies) come into force and have effect as follows—

- (a) the amendments made by paragraphs 1, 2, 5 and 6 have effect for shares issued on or after 6 April 2018; and

- (b) the amendments made by paragraphs 3, 4 and 7 to 9 have effect for investments made on or after 6 April 2018.

Commencement of Paragraphs 2 to 11 of Schedule 5 to the Finance Act 2018

4. The amendments made by paragraphs 2 to 11 of Schedule 5 to the Finance Act 2018 (venture capital trusts: further amendments) come into force and have effect as follows—

- (a) the amendments made by paragraphs 2 and 3 have effect in relation to accounting periods beginning on or after 6 April 2019;
- (b) the amendments made by paragraph 4 have effect in relation to disposals made on or after 6 April 2019;
- (c) the amendments made by paragraphs 5 and 6 have effect in relation to money raised by a further issue that is made in an accounting period beginning on or after 6 April 2018;
- (d) the amendments made by paragraph 7 have effect for loans made on or after 15 March 2018; and
- (e) the amendments made by paragraphs 8 to 11 have effect from 6 April 2018.

5. For the purposes of regulation 4(d), a loan is made on the day on which the amount lent, or (as the case may be) the first day on which any part of the amount lent, is paid or made available to the company.

*Andrew Stephenson
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Two of the Lord Commissioners of Her Majesty's Treasury

8th August 2018

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations bring into force certain amendments relating to Enterprise Investment Scheme (“EIS”), Seed Enterprise Investment Scheme (“SEIS”) and Venture Capital Trust (“VCT”) reliefs made by section 14(1) to (3) of, and Schedules 4 and 5 to, the Finance Act 2018 (c. 3) (“FA 2018”).

Regulation 2 brings section 14(1) to (3) of FA 2018 into force. Section 14 amends the requirements for investments to qualify for relief under the EIS, SEIS and VCT scheme (under Parts 5, 5A and 6 of the Income Tax Act 2007 (c.3) (“ITA 2007”) respectively) by introducing a new risk-to-capital condition which must be satisfied for relief to be available.

Regulation 3 brings paragraphs 1 to 9 of Schedule 4 to FA 2018 into force. Schedule 4 amends the rules relating to investments in knowledge-intensive companies in the EIS and VCT schemes.

Regulation 3(a) brings paragraphs 1, 2, 5 and 6 of Schedule 4 to FA 2018 into force. These paragraphs make amendments to the amount of EIS relief available under Part 5 of ITA 2007 for shares issued in knowledge-intensive companies.

Regulation 3(b) brings paragraphs 3, 4 and 7 to 9 of Schedule 4 to FA 2018 into force. Paragraphs 3 and 4 make amendments to the amount of VCT relief available under Part 6 of ITA 2007 for investment in knowledge-intensive companies. Paragraph 7 makes amendments to the definition of the initial investing period for the purposes of the permitted maximum age condition for VCT relief under Chapter 3, Part 6 of ITA 2007. Paragraph 8 makes amendments to the definition of the initial investing period for the purposes of the permitted company age requirement for VCT relief under Chapter 4, Part 6 of ITA 2007. Paragraph 9 introduces new provisions to determine the date on which the relevant company reaches an annual turnover of £200,000 for the purposes of the amended permitted company age requirement and the amended permitted maximum age condition for VCT relief.

Regulation 4 brings paragraphs 2 to 11 of Schedule 5 to FA 2018 into force. Schedule 5 to FA 2018 makes further amendments to the rules for VCT relief under Part 6 of ITA 2007.

Regulation 4(a) brings paragraphs 2 and 3 of Schedule 5 to FA 2018 into force. Paragraph 2 amends the qualifying holdings condition for VCTs in section 274 of ITA 2007. Paragraph 3 makes further amendments to Part 6 of and Schedule 4 to ITA 2007 in consequence of that change.

Regulation 4(b) brings paragraph 4 of Schedule 5 to FA 2018 into force. Paragraph 4 amends section 280A of ITA 2007 to increase the period allowed for reinvestment of gains made on a disposal of qualifying holdings to 12 months.

Regulation 4(c) brings paragraphs 5 and 6 of Schedule 5 to FA 2018 into force. These paragraphs add a new ‘minimum investment on further issue condition’ to the conditions for VCT approval listed in section 274 of ITA 2007.

Regulation 4(d) brings paragraph 7 of Schedule 5 to the FA 2018 into force. Paragraph 7 amends section 285 of ITA 2007, introducing restrictions on the terms a VCT can impose for qualifying loan investments. Regulation 4(d) provides that the amendments to section 285 of the ITA 2007 take effect for loans made on or after 15 March 2018. Regulation 5 provides for when a loan is made.

Regulation 4(e) brings paragraphs 8 to 11 of Schedule 5 to FA 2018 into force, which provide a final date of 6 April 2018 from which certain provisions will no longer apply.

Section 14(5) of, paragraph 10(2) of Schedule 4 to and paragraph 14 of Schedule 5 to FA 2018 provide that the regulations may provide for the amendments to come into force with retrospective

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effect but only to a day not earlier than the day on which FA 2018 is passed. With the exception of regulation 4(a) and 4(b), regulations 2 to 4 provide for such a commencement with retrospective effect.

A Tax Information and Impact Note has not been prepared for these Regulations as they are commencement Regulations giving effect to previously announced policy.