

INCOME TAX ACT 2007

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Part 6: Venture capital trusts

Overview

Chapter 5: Powers: winding up and mergers of VCTs

Overview

927. This Chapter gives the Treasury power to make regulations for cases where a VCT is liquidated or two or more VCTs merge. Any such regulations will mainly ensure that reliefs available to shareholders in a VCT are “protected” in the cases that they cover.
928. These powers have been used in making the [Venture Capital Trust \(Winding up and Mergers\) \(Tax\) Regulations 2004 \(SI 2004/2199\)](#).

Section 314: Power to treat VCT-in-liquidation as VCT

929. This section allows regulations to treat a VCT-in-liquidation as if it remained a VCT and withdrawal of its VCT approval as taking place at a time different to when withdrawal actually takes place. It is based on paragraph 2 of Schedule 33 to FA 2002.

Section 315: Power to treat conditions for VCT approval as met with respect to VCT-in-liquidation

930. This section allows regulations to treat a VCT-in-liquidation as if it met conditions in section 274(2). It is based on paragraph 3 of Schedule 33 to FA 2002.

Section 316: Power to make provision about distributions by VCT-in-liquidation

931. This section allows regulations to apply, disapply or modify the way in which tax enactments affect distributions by a VCT-in-liquidation. It is based on paragraph 4 of Schedule 33 to FA 2002.

Section 317: Power to facilitate disposal to VCT by VCT-in-liquidation

932. This section allows regulations to be made that have the effect of treating certain holdings acquired by a VCT, from a VCT-in-liquidation, as if those holdings were qualifying holdings of the acquiring VCT. It is based on paragraph 5 of Schedule 33 to FA 2002.

Section 318: Power in respect of periods before and after winding up

933. This section extends the powers in the preceding sections to periods before and after a company becomes a VCT-in-liquidation. It is based on paragraph 6 of Schedule 33 to FA 2002.

Section 319: Sections 314 to 318: supplementary

934. This section supplements the preceding sections. It is based on paragraph 7(1), (2) and (5) of Schedule 33 to FA 2002.

Section 320: Meaning of “VCT-in-liquidation”

935. This section provides a definition and allows regulations to specify when winding up starts or ends in certain cases. It is based on paragraph 1 of Schedule 33 to FA 2002.

Section 321: Power to facilitate mergers of VCTs

936. This section, in the case of certain mergers of VCTs, allows regulations to be made covering matters set out in section 322. It is based on paragraph 8(1) and (2) of Schedule 33 to FA 2002.

Section 322: Provision that may be made by regulations under section 321

937. This section sets out what regulations under section 321 may provide. It is based on paragraph 9 of Schedule 33 to FA 2002.

Section 323: Meaning of “merger” and “successor company”

938. This section defines certain terms for the purposes of the Chapter. It is based on paragraph 10 of Schedule 33 to FA 2002.

Section 324: Regulations under Chapter

939. This section sets out further matters that may be dealt with by regulations under this Chapter. It is based on paragraph 16 of Schedule 33 to FA 2002.

Section 325: Interpretation of Chapter

940. This section defines some terms used in this Chapter. It is based on paragraph 17 of Schedule 33 to FA 2002.