

Venture Capital Trusts (VCTs) – Information Sheet

What income tax relief is available for VCT share subscriptions?

Income tax relief is available where an individual aged 18 or over subscribes for new shares in a VCT. Relief is available on subscriptions up to a maximum of £200,000 and given at a rate of 30% on the amount subscribed. Relief is given by reducing your tax liability but the relief cannot create a repayment. The maximum amount of relief in a tax year is £60,000.

What happens if I dispose of my VCT shares?

If the shares are held for a period of at least 5 years from the date of subscription, the income tax relief is not withdrawn.

If the VCT shares are sold within 5 years of the date of subscription, some or all of the initial income tax relief may be withdrawn. The amount of relief withdrawn is the smaller of:

- The relief initially given on the shares disposed of.
- The amount received for the shares on disposal multiplied by the rate of 30%.

If only a proportion of the VCT shares are disposed of, only the same proportion of VCT relief is required to be withdrawn.

If the shares are gifted or sold for less than market value then all of the initial income tax relief will be withdrawn.

Income tax relief will not be withdrawn where the shares are disposed of to a spouse or civil partner within the 5 year period. However, it will be withdrawn if the spouse or civil partner disposes of the shares within 5 years of the initial subscription date.

Do I need to notify HMRC of a VCT share disposal?

You need to notify HMRC if the VCT shares are sold within 5 years of the date of subscription. You must tell HMRC within 60 days of the sale.

You will not have to pay Capital Gains Tax on any gain you make on the disposal of VCT shares if certain conditions are met. Details of these conditions and situations when you must tell HMRC about the disposal can be found in helpsheet HS298 at www.gov.uk.

Are there any other circumstances when the VCT initial income tax relief is withdrawn?

The income tax relief will also be withdrawn where a VCT loses its approval with HMRC within 5 years of the shares being issued. You must tell HMRC within 60 days of coming to know that the VCT no longer has approval.

How do I notify HMRC if I have made a disposal of VCT shares?

Please return the enclosed form providing details of your VCT investment for the year ended 5 April 2016. Alternatively you can email response.tldletter@hmrc.gov.uk with the information. You should include the reference found on the letter.

Please review the 'Corresponding with HMRC by email' note below.

How do I notify HMRC if I make a disposal of VCT shares in the future?

Under normal circumstances, if the income tax relief is required to be withdrawn, you should notify HMRC in writing at the following address:

Self Assessment
HM Revenue and Customs
BX9 1AS
United Kingdom

Venture Capital Trusts (VCTs) – Information Sheet

If you require assistance, you can call 0300 200 3310; Monday to Friday 8am to 8pm, Saturday 8am to 4pm or Sunday 9am to 5pm.

If the window to amend your tax return is still open, you can amend your tax return. You can find information on how to amend your return at <https://www.gov.uk/self-assessment-tax-returns/corrections>

How will HMRC withdraw any income tax relief claimed?

HMRC will withdraw any income tax relief by raising an assessment in the tax year that the relief was initially given.

Venture Capital Trusts (VCTs) – Information Sheet

Corresponding with HMRC by email

Use the following information to decide whether you want to deal with us by email. We take the security of personal information very seriously. Email is insecure, so it's very important that you understand the risks before you email us. We'll not deal with you by email unless you tell us you accept the risks of doing so.

About the risks

The main risks associated with using email that concern HMRC are:

- confidentiality and privacy – there's a risk that emails sent over the internet may be intercepted
- confirming your identity – it's crucial that we only communicate with established contacts at their correct email addresses
- there's no guarantee that an email received over an insecure network, like the internet, hasn't been altered during transit
- attachments could contain a virus or malicious code

How we can reduce the risks

We'll desensitise information, for example by only quoting part of any unique reference numbers. We can also use encryption. We're happy to discuss how you may do the same but still provide the information we need.

If you don't want to use email

You may prefer that we don't respond by email, for example because other people have access to your email account. If so, we're happy to respond by an alternative method. We'll agree this with you either by telephone, fax or in writing via post.

If you do want to use email

If you would like to use email, we'll need you to confirm in writing by post, email or fax:

- that you understand and accept the risks of using email
- that you're content for financial information to be sent by email
- that attachments can be used

If you are the authorised agent or representative we'll need you to confirm in writing by post, email or fax that your client understands and accepts the risks.

Please also:

- send us the names and email addresses of all people you would like us to use email with - you, your staff, your representative, your agent, for example
- confirm you have ensured that your spam filters are not set to reject and/or automatically delete HMRC emails

How we use your agreement

Your confirmation will be held on file and will apply to future email correspondence. We'll review the agreement at regular intervals to ensure there are no changes.

Opting out

You may opt out of using email at any time by letting us know.

More information

You can find more information on HMRC's privacy policy, visit www.gov.uk/help/privacy-policy