



Venture capital schemes and the Budget

The Autumn Budget included a raft of measures focused on venture capital schemes.

The writing was always on the wall after a Treasury consultation issued in August posed the leading question, “Are there areas where the cost effectiveness of current tax reliefs could be improved, for example reducing lower risk ‘capital preservation’ investments in the venture capital schemes?”

The Autumn Budget gave the expected answer ‘yes’ by revealing a new “risk to capital” condition. Broadly speaking, this will require venture capital trusts (VCTs), enterprise investment schemes (EISs) and seed enterprise investment scheme (SEISs) to invest only in companies where “there is significant risk of loss of capital”. The new rule will apply from when the Finance Bill 2017-18 receives Royal Assent, probably in early spring 2018. Full details are awaited, but it appears that all existing schemes will be affected if new investments are made.

This is an area that the Treasury has visited many times over the years, with the latest example a ban on investment in any form of energy generation activity, which took effect from the start of 2016/17.

If you did not invest in venture capital schemes before the Budget, your choice may be limited now as many schemes raised the funds they were seeking before 22 November. However, there are still some schemes open and new schemes may appear as we near the tax year end. Careful selection will be more important than ever, given the new constraints on investment managers. For more information and an update on availability, please call us.

The value of your investment can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance. Investing in shares should be regarded as a long-term investment and should fit in with your overall attitude to risk and financial circumstances. The value of tax reliefs depends on your individual circumstances. Tax laws can change. The Financial Conduct Authority does not regulate tax advice.