

LOWER VCT TAX RELIEF, HIGHER INVESTMENT LIMITS FIND OUT MORE HERE



Income tax relief for individuals investing in venture capital trusts (VCTs) is set to be reduced, but the scheme will become more attractive through higher gross asset and investment limits.

VCTs invest in relatively young, unquoted companies. As such, the underlying investments carry considerably higher risk compared to listed companies, but VCT shareholders willing to take a risk are rewarded with generous tax breaks.

TAX RELIEF

Individuals can currently obtain income tax relief of 30% by subscribing up to £200,000 for newly issued shares in VCTs. However, this rate of relief is to be cut to 20% from 6 April 2026:

- The change is likely to see investors rushing to put money into VCTs by 5 April 2026 to benefit from 30% relief for 2025/26, so popular VCTs will fill up even faster than usual.
- Anyone planning to invest this year should therefore do so as soon as possible.

An investment of £50,000 in VCTs by 5 April 2026 will mean a taxpayer can reduce their tax liability for 2025/26 by £15,000. However, a similar investment after this date will only provide tax relief of £10,000.

Although a VCT investment must be retained for five years to avoid losing the tax relief, any dividends received are tax-free. This means that they don't need to be declared on the investor's self assessment tax return. There is also no capital gains tax payable when the VCT shares are sold.

VCT LIMITS

In partial mitigation, investing in a VCT should, in future, be a slightly less risky proposition because VCTs will be permitted to invest in more mature businesses. The companies invested in VCTs will be permitted gross assets up to £30 million, rather than the current £15 million.

The annual amount that a VCT can raise will also be increased from £5 million to £10 million.

HMRC's guide to tax relief for investors using VCTs can be found [here](#).

WE CAN HELP

For more information, please contact us, email us at info@nhllp.com or call us on 01753 888 211, we are here to help.