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## Venture Capital concerns are heard

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On October 20, 2017, the Department of Finance (“**Finance**”) responded to several concerns raised by the venture capital and angel investor sectors in respect of the proposed taxation of private corporation measures (see CBT’s summary [here](#)).

The Government recognized the important role played by venture capital and angel investor sectors in a developing economy and will continue to incentivize further investments in developing businesses.

Family and friends who invest in the early stages of a start-up company take on additional risk that may warrant a relatively high return under a reasonableness standard. Finance repeated its commitment to simplify the proposed income sprinkling measures for family members who contribute to a family business.

Start-up companies that receive venture capital and angel investor funding may build up cash reserves until such time that the funds are needed in the active business. Finance will look for ways to deal with the passive income earned on these reserves.

Finance will address the scope of the new rules with respect to capital gains on the sale of shares in active business companies as it refines the measures to limit the deferral benefits of passive income in private companies.