



HM TREASURY

# Tax-advantaged venture capital schemes:

response to consultation

December 2011





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# Foreword

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The Government's *Plan for Growth*, published alongside the Budget in March 2011, set out measures to achieve four overarching ambitions for the British economy, including making the UK the best place in Europe to start, finance and grow a business.

To this end the Government announced proposals to encourage equity investment in businesses with high growth potential by reforming the Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCTs). Since their introduction in the 1990s, the EIS and VCTs have supported over £11.5bn of equity investment into UK businesses, and the reforms announced at Budget will ensure their continued success.

As part of the reform package, the Government committed to simplifying and improving the focus of the schemes to ensure effective investment. "Tax-advantaged venture capital schemes: a consultation" was published in July this year, setting out options to provide new support for early-stage ("seed") investment for start-up companies, proposals to simplify the schemes and proposals to improve focus to ensure the schemes continue to support genuine risk capital. I am pleased that so many interested parties have participated in this process and responded with considered and detailed comments.

The Government will continue the policy making process by publishing draft legislation to implement the decisions taken in response to the consultation. This document sets out the detail and explanation for the decisions that have been taken, and how these have been informed by the consultation process. This document is being published alongside the draft Finance Bill 2012, which contains legislation implementing the decisions summarised in this document. I hope you will once again take the time to study the proposed legislation to help ensure that the final legislation is of the highest possible quality.



David Gauke

Exchequer Secretary to the Treasury

December 2011





# 1

## Introduction

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**1.1** At Budget 2011 the Government announced a package of reforms to the tax advantaged venture capital schemes (the Enterprise Investment Scheme and Venture Capital Trusts) to ensure the schemes continue to support equity investment in new and innovative high growth-potential enterprises. This package included a number of reforms to increase investment and widen eligibility of the schemes:

- an increase in the annual EIS investment limit for individuals to £1 million;
- an increase in the qualifying company limits to fewer than 250 employees and gross assets before investment of £15 million and a post investment gross assets limit of £16 million for both EIS and VCT from April 2012; and
- an increase in the annual investment limit for qualifying companies to £10 million for EIS and VCTs.

**1.2** These reforms will apply to investments from April 2012, subject to State aid approval (with the exception of the increase in the annual EIS investment limit for individuals which has been granted State aid approval).

**1.3** The Government also recently announced State aid approval for the increase in the rate of income tax relief for EIS investments to 30 per cent, effective for investments made from April 2011.

**1.4** In addition to these reforms the Government also announced it would consult on options to provide further support for seed investment, simplify the EIS rules by removing some restrictions on qualifying shares and types of investor and refocus both EIS and VCTs to ensure they are targeted at genuine risk capital investments.

**1.5** The Government published "Tax-advantaged venture capital schemes: a consultation" on 6 July 2011, and invited the views of business, as well as the views of representative bodies, tax advisors and investors on the design and implementation of a new scheme to support investment in seed companies then called the Business Angel Seed Investment Scheme. The consultation set out proposals to address a number of design and implementation issues, including possible scope and proposed definitions to be used in the scheme.

**1.6** The consultation ran for twelve weeks and closed on 28 September. The Government received 129 responses and a further 28 responses supporting submissions made by others. These included responses from several representative bodies, legal and financial advisors, fund managers and individual investors.

**1.7** In addition to the consultation document, HM Treasury and HM Revenue and Customs organised, with the assistance of representative bodies, nine roundtable meetings with interested stakeholders. Treasury and HMRC officials also held a series of individual meetings with representative bodies and interested stakeholders throughout the consultation process.

**1.8** The Government welcomes the responses received and is grateful to all interested parties for their contributions to date.

## Summary of principal decisions

**1.9** Decisions set out here have been informed by responses to the consultation and discussions with stakeholders. All decisions have been made having regard to the guiding principles set out in the consultation document. This involves considering a number of factors, including:

- evidence to ensure that the nature of the problems are correctly understood and that a proposal will achieve the policy aims and deliver positive economic impact;
- costs to the Exchequer to ensure a proposal is both affordable and represents value for money for the taxpayer;
- complexity of the proposal, because the Government is committed to simplifying the tax system and any new proposal should not result in unnecessary administrative burdens;
- deliverability because HMRC must be able to operate the scheme effectively, including with a view to minimising abuse of the schemes; and
- adherence to the European Commission's State aid guidelines on risk capital, and to the Commission's processes and timescales for seeking State aid approval.

## Proposal for new seed support

**1.10** The new seed scheme will be called the Seed Enterprise Investment Scheme (SEIS). Legislation will be included in Finance Bill 2012 reflecting the following decisions.

- An eligible seed stage company will be defined as a company less than two year old undertaking, or planning to undertake, a new business and which has fewer than 25 employees and gross assets of less than £200,000 at the point of investment.
- SEIS money must be utilised within 3 years. A company may raise EIS and VCT investment once 75 per cent of SEIS money is utilised.
- Tax relief under SEIS will be on equity investments only.
- The new scheme will not be limited to a defined investor class, but directors will be able to make investments.
- The amount that can be invested in one company will be limited to £150,000. For simplicity, and to provide flexibility, this will be a total investment limit rather than an annual limit.
- The individual investor limit for SEIS will be £100,000 per year.
- SEIS will offer upfront income tax relief of 50 per cent. No capital gains tax is payable on the disposal of SEIS shares held for more than three years, provided the initial income tax relief was received.

## Simplification and refocusing

**1.11** On simplification the consultation document set out that the Government would implement two changes to the EIS.

- to replicate the definition of 'eligible shares' that qualify under the VCT scheme for EIS; and
- to reform the connection rule, where investors are disqualified if their aggregate shareholding and any loans they have advanced to the company exceed 30% of the total company aggregate of those elements, by removing the loans element.

**1.12** Under current rules, a VCT can only invest up to £1 million per company per annum. The Government has decided to remove this restriction, other than where the company is a member of a partnership or party to a joint venture. VCTs will continue to operate under the restriction that no more than 15% of the total funds raised through a VCT can be invested in any one company.

**1.13** On refocusing the following decisions have been made.

- New legislation will be introduced that will operate by defining “disqualifying arrangements.” Any shares which have been issued in connection with “disqualifying arrangements” will not attract relief.
- Tax relief will no longer be available where the monies raised by a share issue are to be used for the purposes of acquiring shares in another company, unless those shares are being subscribed for in a new subsidiary established by a parent company.
- For investment made under EIS, the changes on acquisition companies and companies established for the purpose of accessing the relief will apply to shares issued on or after 6 April 2012.
- For investments made into a VCT the exclusion of share acquisition as a qualifying activity will only apply to money raised by a VCT on or after 6 April 2012. However, the changes in relation to companies established for the purpose of accessing the relief will apply to shares in investee companies issued on or after 6 April 2012.

## Next steps

**1.14** The Government will introduce legislation on these proposals in Finance Bill 2012. Draft legislation was published on 6 December and there is a period of consultation on this legislation which will close on 10 February 2012. The draft legislation can be found at [http://www.hm-treasury.gov.uk/finance\\_bill\\_2012\\_consultation.htm](http://www.hm-treasury.gov.uk/finance_bill_2012_consultation.htm) and includes explanatory notes and Tax Information and Impact Notes (TIINs). Comments on the draft legislation should be sent to:

Kathryn Robertson  
HMRC  
3/64, 100 Parliament Street  
London SW1A 2BQ

Or

[kathryn.robertson@hmrc.gsi.gov.uk](mailto:kathryn.robertson@hmrc.gsi.gov.uk)

**1.15** Following consultation on the draft legislation the Government will include final legislation in Finance Bill 2012 and it will then be subject to parliamentary scrutiny.



# 2

## Summary of responses

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**2.1** The previous section detailed those decisions that have been agreed for inclusion in Finance Bill 2012, and for implementation from next year as a result of the consultation. The consultation also raised a number of points for which responses were sought, where there is no immediate plan for reform.

**2.2** This section summarises responses to all the questions in the consultation and sets out the Government's response.

### Assistance for seed investment

**Question 1: What evidence is there that specific support is needed to encourage seed investment? What sort of support is needed?**

**Question 2: Can any additional support be provided through reforms to existing tax reliefs or would it be better provided through non tax measures?**

**2.3** Of those who responded to these questions most were in agreement that there was a specific need to encourage seed investment. Some of the reasons given for this were:

- the gap between the risk of the business proposal and the risk the investor is willing to take is larger at this stage;
- that investments were moving away from seed stage companies; and,
- although EIS works well to encourage seed investment now, the planned changes to the amount companies can raise per year (to £10 million, subject to State aid approval) could make it more difficult for seed companies in future.

**2.4** Views on the best way to address this problem were less clear cut. Some thought that tax measures would be the best approach because non-tax measures would be more expensive, or that tax reliefs are better than grants because they would be "more likely to appeal to the entrepreneur's mindset." Others considered that a combination of tax and non-tax measures would be better including the creation of Government investment funds, or programmes to improve the business skills of entrepreneurs and investors through mentoring or business support. A significant number also mentioned the importance of reducing the burden of red tape on new and small businesses, and better promotion of Government support.

**2.5** One respondent highlighted the significant problems with the "investor ready" education provided to entrepreneurs. Business Angels continue to receive business plans setting out propositions which may have intrinsic merit but which are presented in such a way as to make it impossible to assess their true potential and value. Better business plans would ultimately reduce the high level of transactions costs that can often deter potential investors.

### Government Response

**2.6** The Government considers that further support for seed investment is necessary and that an effective way to provide this is through the tax system. The Government has already announced other measures to support the creation of new businesses including the continued funding for

the Enterprise Finance Guarantee and actions to reduce red tape like the exemption of micro and start-up businesses from new domestic regulations for three years. This tax relief will provide additional help to new start-up businesses.

## **A new stand alone scheme**

**2.7** The consultation set out proposals for a new scheme to encourage seed investment. In particular the consultation asked questions on what types of activity the money raised under the new scheme should support, whether the use of quasi-equity and debt instruments should be allowed and whether the scheme should be exclusive to experienced investors. All decisions taken in this section will be included in the legislation consulted on as part of Finance Bill 2012 and the scheme will be operational from April 2012.

### **Question 3: Would a new stand alone scheme be an effective way of meeting the Government's objective of providing support for seed investment?**

### **Question 4: Any new proposal would potentially add to the complexity of the tax system and run counter to wider Government aims to streamline support for start-ups. Would additional complexity itself be a barrier to investors who might otherwise be incentivised by a higher rate of relief?**

**2.8** Most respondents thought that a new stand alone scheme would be the most effective means of providing support for seed investment. Of those who were in favour of the proposal, most were fully supportive of a new scheme, whilst many in support also offered qualifications on the various rules it should adopt. The majority of respondents in favour of a stand alone scheme were so on the basis that it would be:

- simple: it should follow the EIS rules and not be overly complicated;
- generous: it should be sufficiently generous to attract relief to this high risk investment;
- open to a wider group of investors: EIS rules on connected parties should not be included allowing directors to qualify and friends and family should be allowed to invest; and,
- broad in definition: the definition of angel and seed should not be so overly prescriptive as to complicate or water down the potential of the scheme.

**2.9** Others were in favour of an extension of EIS arguing that it would be simpler for investors who are already familiar with the EIS rules and therefore lead to greater take up, "The EIS scheme is well established and a new scheme would create confusion in the market and lead to additional cost on companies which would have to seek professional advice. It would also require a whole section of new legislation for what is intended to be a relatively small amount of tax relief in total." Support for an extended EIS scheme was often qualified with requests to broaden the generosity or eligibility of EIS itself at the same time, although this was beyond the scope of the consultation.

**2.10** Some respondents addressed the question of an extension to EIS noting that, "extending the ambit of EIS and VCT reliefs to incorporate different types of investment into a wider range of companies is likely to be impracticable and could pose difficulties with EU State aid legislation," and, "if as suggested, there are significantly greater tax breaks... then a stand-alone scheme would make it easier to manage than a bolt on to the existing schemes."

**2.11** Most respondents thought that, although a new tax scheme would add complexity to the tax system, it would not be a barrier to investment and offered the opportunity to create a

scheme that was better suited to the business characteristics and investment most commonly associated with seed stage.

**2.12** The overwhelming theme from responses was the desire for a simple scheme. Around half of those who answered this question warned against making the scheme complex and encouraged the adoption of a simpler scheme than the EIS.

## **Government response**

**2.13** The Government considers that a new stand alone scheme would be the most effective way of providing support for seed investment. The Government does not think that the additional complexity caused by the scheme is a strong enough reason not to act. The Government recognises that it is important that the scheme is kept simple and SEIS will utilise many of the existing rules of the EIS.

## **Definition of seed-stage**

**Question 5: How best might Government define “seed-stage” activities?**

**Question 6: At what point does the need for “seed” investment cease?**

**2.14** The consultation offered a list of potential features the seed activity definition could contain:

- a company that has not yet begun to receive income from its trade or intended trade;
- a company that has no unconditional contracts or agreements in place to receive such income;
- a company that has gross assets of less than a specified amount;
- a company that is involved in developing a business plan, a prototype requiring further research, or development prior to bringing the product or service to market;
- a company that is not yet engaged in large scale commercial manufacturing.

**2.15** The majority of respondents found the proposed list problematic. For example it was thought by one respondent to be easy to bypass and hard to police. For example if the company has to be less than 3 years old, or not trading, then it is easy to form a new company – if necessary with different shareholders. Such restrictions will be almost impossible for HMRC to police and will create many loopholes whilst also causing delays and bad feeling about the legislation.”

**2.16** A number of respondents proposed alternative definitions; the most common were for a gross assets test and/ or a revenue/turnover limit. Other respondents suggested a limit by reference to the number of employees or the age of the company. It was suggested revenue, income and/or turnover could be effective criteria if they were applied with a cap on the level of revenue or turnover a ‘seed’ company might have. For example: “To simplify matters, we would suggest that a turnover definition would be the easiest to understand and implement”; and, “the AIC recommends that eligible companies should be either pre-revenue or be limited to a very low level of revenue.”

**2.17** It was thought that such an approach would be more flexible and reflect more accurately the behaviour of start-ups, where it is common practice to carry-out small amounts of consultancy work whilst developing an idea, in order to keep the company going.

**2.18** In terms of when the need for seed funding ceases, again most respondents suggested that this was when its revenue or gross assets reached a certain level or when the investment

amount required was over a certain level. A time limit and employee limit were also mentioned in combination with an asset, revenue and investment limit.

## **Government response**

**2.19** The Government believes that, in view of the consultation responses, simpler and more effective legislation will be achieved by defining seed stage by reference to company characteristics rather than activity. The characteristics of an eligible company are that at the point of investment, it should have:

- fewer than 25 employees;
- gross assets before investment of less than £200,000; and
- less than two years old and carrying on, or proposing to carry on a new business.

### **Question 7: In particular, how might legislation distinguish between seed-stage manufacturing or production for trial purposes, and commercial large scale production or manufacturing?**

**2.20** Most respondents thought that it was either very difficult to do this or not possible at all. Some respondents thought this could be done through a revenue limit but beyond that there was no consensus.

## **Government response**

**2.21** The Government agrees with the majority of consultation responses that defining seed activity would be too difficult and is therefore proposing to define qualifying companies by reference to number of employees and amount of gross assets at the point of investment, and that they are less than two years old and be carrying on, or proposing to carry on a new business.

### **Question 8: Would an explicit limitation to “pre-trading” activity be overly restrictive?**

**2.22** Most thought that this would be overly restrictive. Many companies in the early stage do consultancy work in order to raise capital to pay for the day-to-day running of the company. This restriction would be a “disaster as it would force companies not to sell anything” and it would be a “disincentive to companies to try and get early sales.”

## **Government response**

**2.23** The Government considers that a seed stage business should be defined by reference to the number of employees, amount of gross assets, and that they are less than two years old and be carrying on, or proposing to carry on a new business. While this would exclude companies they would still be able to receive investment under the EIS/VCTs. SEIS will be limited to new businesses which is where the Government considers there to be the greatest need for additional investment.

### **Question 9: To prevent abuse of the scheme, the Government proposes that all monies raised under the scheme should be utilised within a certain period of time for the seed-stage activities for which they were raised. Is this a reasonable requirement?**

### **Question 10: If so, what would be an appropriate period of time?**

**2.24** Most respondents thought that this was reasonable. The main argument against was that companies have their own life cycle and that this test should be done on a milestone basis depending on sector.



**2.25** The majority of respondents thought that somewhere between 1 and 3 years was the appropriate period of time. Some respondents cited certain sectors where the seed stage period could be particularly long and suggested up to 5 years.

## **Government Response**

**2.26** The Government considers that it is a reasonable requirement that SEIS money should be utilised within a certain period of time. In order to keep the scheme simple SEIS money will have to be utilised within 3 years, a more generous limit than for EIS. The Government also recognises that it is not reasonable to expect a company to spend all its money before seeking further funding. Therefore the Government will include legislation stipulating that 75 per cent of SEIS money is utilised before EIS or VCT money can be raised (see question 19 for more details).

## **Types of investment**

**Question 11: Subject to State aid approval of the new scheme, it may be possible to offer relief for both equity and some debt instruments. The government envisages a requirement that to comply with EU guidelines, any individual investor in a qualifying company would have to have at least 70% of their investment in the form of equity or quasi-equity.**

**Unlike EIS, individual investors would have to ensure that their investments satisfied this new equity condition. Would this present any problems in practice, and how might these best be addressed?**

**Question 12: Should any further restrictions be placed on equity or quasi-equity instruments?**

**Question 13: What restrictions should there be on the forms of debt that qualify?**

**2.27** Most respondents thought that the use of quasi-equity and debt instruments would not present a problem although many had concerns around complexity and stressed the importance of the scheme being kept simple:

“Apart from losses the real problem investors have with early start ups is getting their money out. Repaying loans is much easier than realising shares so if the government is serious with regard to supporting start ups this point is worthy of considerable thought. Suggest keep loans simple but clearly and separately recorded and notified to HMRC.”

**2.28** Unsecured convertible loans were preferred as the instrument of investment:

“Tax reliefs should be available for investments in convertible loans which have the following characteristics – Unsecured, Convertible into equity shares at a date of a future share issue (subject to defined floor price or minimum conversion price), and have a minimum term.”

**2.29** Other respondents however, expressed their strong opposition to the use of other forms of equity and of debt:

“Early stage businesses should not be burdened with loans, quasi-equity and debt. Investors should be investing to make serious capital gain;”

“It is pointless putting money into a company just to repay interest. I would not be averse to the requirement being 100% equity, no debt;”

“Seed investment in technology is about as risky as it gets. No debt, quasi-debt or other "smart instrument" should be used. This sort of investment should only have single class ordinary shares with no preferential rights attached in favour of any investor / group of investors over the others. Without this crucial measure, it will be open to abuse”;

“Allowing loans and quasi equity or even preference shares will change the whole nature of the scheme and be a major step backwards from a policy point of view... Investors should be sharing the risks and the rewards with the founders in a ‘partnership’ where they all have similar objectives.”

**2.30** The point was made that this could lead to unequal relationships between equity and debt investors, and that it was not appropriate to burden seed companies with debt obligations.

## **Government response**

**2.31** The Government recognises that most respondents did not think the use of quasi-equity or debt would present a problem in practice. However, while debt instruments can be attractive to some experienced investors, the Government considers that in practice they would add complexity and burdens to both businesses and investors that are disproportionate at the seed level. The policy rationale for SEIS is to encourage more investment at the seed level, to encourage more start-ups and provide them with the support needed. The Government is of the view that the importance of having a scheme that is simple with minimal administrative burdens weighs more heavily than the proposal for allowing debt instruments. The Government has therefore decided that tax relief will only be available for investments via equity investments.

**2.32** The Government already offers other schemes to facilitate debt finance including the Enterprise Finance Guarantee.

## **Definition of Business Angels**

**Question 14: How best might Business Angels be defined, to ensure that the additional relief was only available to those providing both finance and the benefit of their business acumen?**

**2.33** Most felt that business acumen should not form part of the definition of a Business Angel and that expertise would come from the same place as capital as there is an incentive to look after one’s money. Others went further and said that a Business Angel is impossible to define or that a definition would exclude potential investors from the scheme:

“Why define them? It only serves to limit the availability of capital to the seed stage businesses. We need as much as we can get in this space especially with the proposed VCT changes. Experience and money don’t have to come from the same source.” and,

“I wonder if it is putting up significant barriers in the way of small film businesses and undermine the aim of the consultation”

**2.34** Some respondents did offer definitions or did not object to the idea of a definition but again the theme of simplicity came through. It could “simply be defined as someone who invests in a seed-stage company or is investing as part of a syndicate that has made five or more investments in seed-stage companies.” Others wanted to ensure that angel networks and syndicates were not excluded from the new scheme, whilst a small number suggested the adoption of the FSA definitions of self-certified investors for a high net worth individual or sophisticated investors.

**Question 15: Should it be sufficient for an investor to be considered to be participating in the governance of the company if they are a director, or should there be particular requirements as to the degree of their involvement? If so, what should these particular requirements be?**

**2.35** Most respondents were firmly against particular requirements for the degree of involvement of the Business Angel investor. The consensus was that this would be burdensome to the company and difficult to police in practice.

### **Question 16: Should investors who are not directors be able to qualify? If so, in what circumstances?**

**2.36** Most thought that the new scheme should be open to investors who are not directors. "EISA believes that investors who are not directors should be able to qualify for the tax relief. Being a director brings many responsibilities and potentially liabilities and the requirement to take that on may reduce the incentive to invest."

### **Question 17: To qualify for a seed investment scheme, should investors have a track record of previous investment? If so, for how much or how long should they have invested?**

**2.37** Again, as set out above most respondents were of the view that such restrictions were not necessary and would prevent new investors from qualifying, restricting the amount of capital available for seed investment. The point was also made that just because an investor has made a certain number of investments it does not necessarily make them better qualified. The investments made may have been unsuccessful.

### **Question 18: What other factors might be taken into account besides previous investment and current governance?**

**2.38** Some respondents said that no further factors should be considered. Most felt that simplicity was the most important factor to take into account when designing the scheme. Others suggested that the schemes should be open to friends and family while other criteria suggested were size of investment or level of wealth:

"The Government needs to recognise that most investments in early stage businesses come from friends, family and small investors who may form a syndicate through a business angel club or through managed EIS funds.";

"we believe that funding for pre-seed and pre-start companies is more likely to be available from, and is more appropriately sought from, friends and family rather than business Angels. It is unlikely that friends and family will have any previous investing experience"; and,

"make it open to friends and family and investors with no previous investments required."

## **Government Response**

**2.39** The consultation set out proposals to define the type of investor ("business angel") from which investment was sought. The motive behind this was to ensure that monies invested came with experience and expertise. Throughout the consultation process it was recognised that the provision of expert business advice was as important for a start-up company as actual investment.

**2.40** The Government recognises that the proposal for investors to be members of the company board could be cumbersome for companies, might deter investors because of the legal obligations associated with being a director, and is in any case unnecessary given the likelihood that investors would want to be active anyway (albeit not necessarily as directors).

**2.41** While in principle, having a targeted definition ensuring the provision of experienced investors would increase the likelihood of effective investments and availability of expertise to start-ups, the Government accepts that in practice, there is no guarantee such expertise would be wanted or needed by the company, and it is reasonable to assume that those investing thousands of pounds would want expertise provided to the company either by themselves, a partner investor or procured from a third party.

**2.42** In addition, given the Government's aim of ensuring a simplified tax system, and encouraging equity investment, it was felt that a less burdensome and restrictive option was preferable.

**2.43** The Government has therefore decided not to adopt a requirement for investors to take an active position on the company board, or to have a track record of investment.

**2.44** Under EIS investment a number of specific classes of person are excluded under "connected person" rules. These include directors, employees, partners and persons with more than a 30% interest in the company. The Government will be relaxing the rules for SEIS in respect of directors. Under EIS, previously unconnected directors can continue to receive tax relief for further investment in the company for a further three year period; thereafter they are considered "connected" with the company and no longer qualify for relief. With the aim of simplicity and given that seed companies are by nature small and often close companies, under SEIS, directors will not be excluded, as they are under EIS, unless their shareholding amounts to over 30% of the company.

**2.45** "Friend and family" investors are not explicitly excluded from EIS investment except that the holdings of some family members are taken into account for the purpose of the 30% rule mentioned above. A number of respondents suggested that this should be relaxed. Government does not propose to make any changes to the EIS rules or the rules in SEIS at the present time.

**To avoid breaking EU rules on cumulation of aid it is envisaged that the money raised under a seed scheme would have to be employed on the seed-stage activities for which the money was raised before funding could be raised under EIS or VCT.**

**Question 19: Would such a requirement impose unrealistic restrictions on investment? If so, how might Government ensure that the relief given under a new seed investment scheme was being given only for monies raised to support seed-stage activities?**

**2.46** Most respondents felt that this would pose unrealistic restrictions on investment but suggested how the money could be limited to seed activities. Respondents warned against a requirement that all SEIS money should be spent, and instead suggested not allowing EIS investment until the majority of the SEIS money has been used or a time limit on use of the money.

## **Government Response**

**2.47** The Government is aware that requiring a company to employ all money raised under SEIS before follow-on was obtained could impose unrealistic constraints on businesses and put them in danger of insolvency. In order to maintain the focus on early stage investment, whilst offering the necessary flexibility start-ups require to raise larger tranches of funding, the Government has decided to include the requirement that at least 75 per cent of monies raised under SEIS should be employed before any EIS or VCT investments can be raised. The Government considers this limit strikes the right balance between this concern and the policy objective that SEIS funding is for seed investment. This is in addition to the requirement that SEIS money should be utilised within 3 years.

## **Monitoring the impact of changes**

**Question 20: From experience, schemes can be open to manipulation (particularly where tax relief is generous). What monitoring and conditions could usefully be included to ensure the scheme remains properly targeted?**

**2.48** There was limited agreement in response to this question with some suggesting that the same monitoring and conditions as EIS should be used. Other views were that SEIS could be

piloted for a period and reviewed as it went along, a requirement that the company directors prepare a simple report setting out progress in the last 12 months and measuring its performance against the defined rules for seed investment as well a number of other technical suggestions.

**Government response**

**2.49** The Government is committed to having an effective tax system that delivers value for money to the taxpayer, and supports the objectives on growth. To ensure SEIS remains properly targeted it will be time limited and subject to a review after four years. If SEIS is not achieving its objectives it will either be changed to ensure it does, or be allowed to expire in April 2016.

**Thresholds for investment**

**2.50** The consultation did not ask what the investment limits under SEIS should be. Now that the design of the scheme is finalised, the Government is in a position to confirm the investment limits per company and per investor.

**2.51** The amount that can be invested into one company will be limited to £150,000. For simplicity, and to provide flexibility, this will be a total investment limit rather than an annual limit. This limit is considered sufficient to meet most, if not all, of seed stage costs of new businesses, and of course EIS or VCT funding is available to meet longer-term and larger investment requirements.

**2.52** The individual investor limit for SEIS will be £100,000 per year. Investors will also be able to invest the maximum amount (£150,000) in a company in one year by electing to have some of the shares treated as though acquired in the preceding tax year (providing SEIS was in effect in the previous tax year).

**Other design details**

**2.53** SEIS will offer upfront income tax relief of 50 per cent. No capital gains tax is payable on the disposal of SEIS shares held for more than three years, provided the initial income tax relief was received.

**2.54** To ensure simplicity, most detail not mentioned here will mirror the characteristics of EIS, including changes announced in this document to simplify and refocus the rules for EIS. The table below sets out the key differences between SEIS and EIS.

**Table 2.A: Key differences between SEIS and EIS**

	<b>SEIS</b>	<b>EIS</b>
Investor limit	£100k pa	£1 million pa
Company investment limit	£150k (total)	£10 million pa <sup>1</sup>
Qualifying Company	New company gross assets £200,000 before share issue Fewer than 25 employees	Gross assets £7 million before share issue, £8m after (increasing to £15m/ £16m <sup>2</sup> ) Fewer than 50 employees (increasing to 250 <sup>3</sup> )

<sup>1</sup> Subject to State aid approval  
<sup>2</sup> Subject to State aid approval  
<sup>3</sup> Subject to State aid approval

Connection	Directors will not be excluded otherwise than by the 30% rule	Directors excluded, subject to carve-outs for directors whose entitlement to remuneration does not start until after acquisition of shares
Use of money	Must be used within 3 years. 75% must be used before money can be raised under EIS/ VCT schemes.	Must be used within 2 years
Trading	Company must use 70% of money before a claim for approval can be made	Company must have traded or carried on qualifying R&D for 4 months before a claim for approval can be made
Subsidiaries	Company must neither be a subsidiary nor have subsidiaries	Company may have subsidiaries, subject to conditions

## Simplification

**2.55** The Government recognises that the EIS and VCTs schemes can sometimes appear complex for taxpayers. The consultation brought forward proposals to simplify the existing schemes announcing that the Government would implement two changes to the EIS:

- to replicate the definition of ‘eligible shares’ that qualify under the VCT scheme for EIS; and
- to reform the connection rule, where investors are disqualified if their aggregate shareholding and any loans they have advanced to the company exceed 30% of the total company aggregate of those elements, by removing the loans element.

**2.56** In addition to this the consultation asked about potential future simplification and their relative priority.

## Barriers to price-setting mechanisms

**Question 21: Do the current EIS rules on the use of anti-dilution clauses present a problem in practice?**

**Question 22: What priority should this be given?**

**2.57** Many respondents agreed that the current rules preventing the use of anti-dilution clauses presented a problem although there was a significant minority who thought they did not.

**2.58** Whilst the principle behind the legislation was widely accepted, most thought in practice the restrictions created problems by making it harder for EIS investors to invest alongside Venture Capital Funds and other investors who had flexibility to invest in different ways.

**2.59** It was thought to be most commonly a problem where “a subsequent funding round was not anticipated by the seed investor at the time of their initial investment”, and “particularly acute when investing alongside venture capitalists who can benefit from these rights”, especially where the Venture Capital Fund Managers have a “very aggressive attitude towards pricing”.

**2.60** The ability to use preference shares, it was widely thought, would improve the price setting mechanism. Respondents considered that “accurate pricing of these investments is impossible” and that the availability of preference shares would therefore “resolve price disagreements between the investor and entrepreneur”.

**2.61** Of those that thought it was not a problem, most thought that anti-dilution clauses represent an additional complication and cost to both the investor and business, and that their presence is likely to deter future investors where they cannot invest on equal terms.

**2.62** A number of respondents also thought that anti-dilution clauses would not shelter earlier investors from later round aggressive venture capital fund investment. In practice, respondents thought that it was “unlikely that anti-dilution provisions will have any impact on this stance” because, from experience “such clauses would end up being waived anyway as later stage investors tend to demand equivalence with the early stage investors as a condition of their investment”. Allowing preference shares might not improve the position of EIS investors because “there are circumstances where sometimes they have no choice in the matter: generally when things don’t go to plan”.

**2.63** Respondents pointed to the positive benefits of restricting to ordinary shares, “forcing investors to invest alongside founders and management on the same terms is a great strength to the scheme”, which was considered to be a “worthy and practical” rule, which “greatly distinguishes EIS investment from VC investment” because it was “very positive for the founder”

### **How might the problem be addressed?**

**2.64** Respondents proposed a number of ways to resolve this issue, including “the ability to convert ordinary shares to shares carrying a preference within a restricted period of a venture capital funded round”, or “earn out” provisions which one respondent thought might be more appropriate than preference shares, and a proposal where “further equity capital is issued to third party investors and the existing investors are entitled to increase their own shareholding, such that it does not exceed the percentage they held prior to the fundraising”.

**2.65** In general, this issue was thought to be a high priority for investors.

### **Question 23: if the seed scheme was adopted, would the scope to invest in both debt and equity mitigate this problem in practice?**

There was only a limited number of respondents to this question but most thought it would or that it might mitigate the problem in practice, depending on how the new scheme was designed in detail. Those who thought it would not did so for reasons including that “the real problem in terms of dilution stems from the terms imposed by subsequent more powerful investors”.

### **Mergers of EIS companies**

**2.66** In a conventional merger between companies involving a share-for-share exchange, investors are deemed to have disposed of their shares and can lose EIS relief. This could deter companies obtaining the commercial benefits of such a merger or deter investors from future investments under EIS.

### **Question 24: to what extent do the existing rules deter mergers made for genuine commercial purposes?**

### **Question 25: What priority should be given to addressing this issue?**

**2.67** Most respondents to these questions thought it was a problem, because “mergers between young companies is common”, and the possible loss of relief made “mergers for genuine acquisition growth or for cost reduction” very difficult, and could in some instances affect “the timing of any merger”. Some also thought that loss of relief through a de-merger was equally problematic.



**2.68** Some respondents thought that the rules for VCT backed companies merging, where the qualification is deemed to continue into the new company either permanently or for a limited period of time should be adopted for EIS investments. Others thought that relief should continue if the newly formed company met the EIS eligibility criteria.

**2.69** However, concern was raised as to the nature of any legislative fix, that it “should be limited...otherwise it could be used as an exit route”.

**2.70** Of those who thought it was not a problem, most thought that in reality it would be the “overriding commercial motives” rather than the availability of relief that should and would drive merger decisions, “if it was the right thing to do from a commercial perspective”. One respondent thought that “in most cases it does not affect what the company does especially if there have since been further rounds of funding”.

**2.71** The majority of respondents thought this was not a major priority in relation to the other simplifications being consulted on.

## **Period of grace for payment of shares**

### **Question 26: Would better guidance help to provide clarity on the rules around the period of grace for payment of shares?**

**2.72** The majority of respondents thought that better guidance would be helpful, and most thought that the HMRC website was the most appropriate place to publish it, though a small number requested that hard copies are made available.

**2.73** Of those who did not think that better guidance was necessary, the majority did so because in practice they had not experienced this problem. One respondent thought that the responsibility lay with the “company's administration capability” rather than the investor. Many also thought that a legislative fix, as suggested in the consultation, was a better response.

### **Question 27: a simple legislative solution might be to allow a period of grace for the shares to be fully paid up after the date of issue. If this were to be adopted what would be a suitable period of time?**

**2.74** The majority of respondents thought that 30 days would be a suitable period of time while others thought a period of up to six months would be better.

## **Excluded activities**

**2.75** The list of excluded activities from the schemes has grown over the years, as activities were added in response to what were seen as particular abuses. The consultation highlighted that this has led to a number of inconsistencies.

### **Question 28: Is there a case for reviewing the current excluded activities list?**

**2.76** The majority of respondents thought there was a case for reviewing the list although views are divided between those who thought it was currently too restrictive, and those who thought it should be reviewed so that current practices whereby investments are made in lower-risk companies could be prevented.

**2.77** The most commonly cited sectors for removal from the list were the hotel sector and nursing homes. Many respondents thought that such businesses which often included investment in property could also be high risk, and allowing such sectors could support investment in tourism and the retirement and medical sector. One respondent stated that these sectors should be included because “the financial performance of the company is dependent upon the service to customers that the company is able to provide”, whilst others pointed to the potential benefits because hotels and nursing homes require large numbers of staff.



**2.78** The restrictions on licensing and intellectual property were raised as a point of concern, and cited as a particular issue for some technology companies and the music sector. Other sectors for consideration included restaurants, pubs and market gardening enterprises.

**2.79** A significant number were in favour of periodic reviews to the list, whilst others thought that specific reference to avoidance behaviour might be helpful. A small but significant minority thought the list should be reviewed to extend it to practices whereby investments were made into artificial or low risk enterprises.

**2.80** Of those that thought the list should not be reviewed, most did so because they had not found it to be a problem, and a small number of respondents noted that the list supported the aim that investments “should be targeted at genuine high risk companies and that asset backed companies should be excluded”.

**2.81** Responses were fairly evenly split on whether this was a priority for reform.

## **Government Response**

**2.82** The Government announced in Budget 2011 that it would bring forward proposals for simplifying the two existing tax-advantaged venture capital schemes, concentrating in particular on the types of investment that can attract EIS relief and on which investors, who are connected with a company, can qualify. These changes were set out in the consultation document and are:

- to replicate the definition of ‘eligible shares’ that qualify under the VCT scheme for EIS; and
- to reform the connection rule where investors are disqualified if their aggregate shareholding and any loans they have advanced to the company exceed 30% of the total company aggregate of those elements by removing the loans element.

**2.83** Legislation is included in the draft Finance Bill 2012 implementing these proposals, which will come into effect from April 2012.

**2.84** HMRC will also place improved guidance on its website concerning the need for shares to be fully paid up at the date of issue, to provide clarity to investors and companies. The decision has been taken not to legislate at present, though this will be kept under review.

**2.85** The Government is committed to ensuring that the venture capital schemes are simplified as far as possible, and the responses provided to the consultation on this point were gratefully received. The Government does not intend to take any immediate action to further simplify the schemes beyond that set out above. However the Government acknowledges the relative priorities attached to each issue and will take them into account when considering making future reforms to the schemes.

## **Improving the focus of the schemes**

**2.86** Given the generous incentive offered by the increased EIS rate and higher EIS and VCT thresholds, the Government must ensure that the schemes continue to be targeted at genuine high risk capital investments. With this in mind, the consultation set out the Government’s concerns about the operation of both schemes, with suggested solutions.

## **Companies established for the purposes of accessing relief**

**2.87** The Government has concerns over companies that appear to have been created solely for the purpose of allowing relief under the schemes to be accessed. The consultation proposed the use of a test to consider a number of characteristics commonly displayed by companies

established for the purpose of accessing the relief. Those companies that displayed a certain number of such characteristics would have been disqualified.

**Question 29: is this type of test likely to deliver the desired outcome?**

**Question 30: If not, what alternatives might be considered?**

**Question 31: If such a test were to be used, how appropriate are the characteristics listed in the consultation (paragraph 4.12)?**

**2.88** Most respondents thought that this type of test would not have the desired outcome and raised concern that it would catch genuine commercial enterprises. None of the suggested characteristics of the test received wide support.

**2.89** A small number of responses suggested alternatives to the test outlined in the consultation, including a requirement that a company demonstrate that a sizeable proportion of its expenditure was on R&D, say more than 25%, a pre-clearance application to HMRC including a business plan/executive summary or a purpose test aimed at the economic substance of the company.

**2.90** Particular concern was raised in relation to the film and TV industry, the games industry, and social enterprises, where the nature of the sector might result in failure to meet a number of the criteria. One respondent thought that “all but the last test may well apply to start up stage community interest companies / coops”.

**Question 32: If such a test were to be used, would it be more effective with a precursor “purpose statement” followed by the list of characteristics as indicators, or alternatively with a provision that a company would be disqualified if it met a certain number of the characteristics?**

**Question 33: If the latter, what would be an appropriate number?**

**2.91** Most respondents thought that a purpose statement would be an effective precursor because it would help genuine companies that might otherwise be inadvertently caught by the detailed test. One respondent thought it had the advantage of providing “focus, simplicity and clarity ahead of utilising the characteristics tests (if needed) and reduce administration time, costs and confusion to investors”. Another respondent thought that a purpose test might “hinder or delay some investment”, but that this was “far less likely to occur with investment into genuine EIS or VCT companies”.

**2.92** Those respondents not in favour of a purpose statement thought that it would risk “clarity of the law and certainty at the time of the investment”, factors that are “essential requirements to the success of the venture capital schemes”. Enshrining the characteristics in law rather than as indicators “provided certainty by giving a clear and unambiguous test would best meet the balance between preventing tax avoidance and continuing to encourage investment under EIS”.

**2.93** There was no clear consensus on an appropriate number of characteristics with suggestions ranging from one up to all of the characteristics.

## **Government response**

**2.94** Consultation responses highlighted that any set of tests, however nuanced, could have the effect of disqualifying genuine companies, especially in particular sectors. The benefit of certainty that a list offered was thought welcome. A purpose test was widely favoured because it was thought to offer greater flexibility.

**2.95** However, there are challenges in drafting an effective purpose test. Consequently the Government will include legislation in Finance Bill 2012 that will operate by defining

“disqualifying arrangements” with any shares which have been issued in connection with “disqualifying arrangements” not attracting relief. Although the detail has been altered, the principle and effect of the legislation remains as intended.

**2.96** Legislation is included in the draft Finance Bill 2012 on this proposal, which it is proposed will come into effect from April 2012.

## **Acquisition of companies**

**2.97** The Government intends to tackle concerns about acquisition companies by stipulating that where monies are used by a company “preparing to trade” to acquire an existing trade or trading subsidiary, at the time that existing trade or trading company is brought into the group, the group still meets the size conditions of the schemes.

**Question 34: Are there any other areas that Government should be concerned about?**

**Question 35: Are the areas identified here the most serious areas for concern?**

**Question 36: Are the proposed solutions likely to be effective against the intended targets?**

**Question 37: Are the proposed solutions likely to have a disproportionate impact on companies and investors?**

**2.98** Few respondents answered these questions in any detail. Of those that did, there was agreement that the measures would be effective subject to detailed review of the proposed draft legislation and if they did not increase the need for professional advice which could be costly to a business.

**2.99** A small number of respondents thought that the refocusing proposals should refer to the employment of funds. It is suggested that there should be a requirement that if the funds are used to acquire shares, securities or other loans in one or more companies, the enlarged group must meet the gross assets size limit immediately after each of those acquisitions.

**2.100** A respondent thought that the proposed restrictions to preparing to trade would stop “venture capital reliefs being used to acquire and revitalise existing companies which are struggling financially but which are essentially viable commercially”. It was also thought that “there will be some restriction on the ability to acquire additional existing companies where commercially this is necessary in order to acquire, for example, additional expertise and resources”.

## **Government Response**

**2.101** In relation to acquisition companies some respondents felt that relief should not be given where monies raised are used to buy shares from existing shareholders, but should only be given where monies are actually being used by the company invested in.

**2.102** Following further examination of this issue and discussions as part of the consultation process, the decision has been taken to amend the proposals originally set out in the consultation document. The EU State aid guidelines, define both “risk capital” and “expansion capital” as excluding buy-outs. In view of this, the Government considers that it would be more appropriate to give tax relief in respect of monies being used by investee companies within their businesses, rather than for buying out existing shareholders.

**2.103** The Government will therefore introduce legislation in Finance Bill 2012 to prevent tax relief being available where the monies raised by a share issue are to be used for the purposes of acquiring shares in another company, unless those shares are being subscribed for in a new subsidiary established by a parent company.

## Commencement

**2.104** For investment made under EIS, the changes relating to acquisition and companies established for the purpose of accessing the relief will apply to shares issued on or after 6 April 2012.

**2.105** For investments made into a VCT, the exclusion of share acquisition as a qualifying activity will apply to any money raised by a VCT on or after 6 April 2012.

**2.106** The changes in relation to companies established for the purpose of accessing the relief will apply to shares in investee companies issued on or after 6 April 2012.

**2.107** The reason for this difference is that the acquisition companies change is a clear change in policy. The legislation excluding companies set up for the purpose of accessing the relief is targeting misuse and therefore maintaining current policy by making the rules more effective.

## Exclusion of some Feed-in Tariff Businesses

**2.108** The intention to add companies in receipt of FITs to the excluded activities list was announced at Budget 2011. Draft legislation was published alongside the consultation for comment. The legislation also exempted certain company types and sectors from this exclusion. There was a relatively limited response to this section.

**Question 38: Are there any other sorts of community based company that ought to be included?**

**Question 39: Will the definitions included in paragraph (9) of new clause 198A in the draft legislation give the right result in practice?**

**Question 40: The Budget announcement applies to the "commercial generation" of electricity on or after 6 April 2012. The draft does not use this term, but instead has regard to when a company first begins to carry on the FIT-subsidised generation of electricity. Is this sufficiently clear?**

**Question 41: The legislation applies not only to UK FITs but to similar schemes established outside the UK. However for simplicity, it does not seek to list such schemes or refer to the legislation establishing them. Is this sufficiently clear?**

**2.109** A small number of respondents suggested that companies developing green energy plants with energy generating plants that are used for development purposes and with prototype plants, and businesses which derive income from distributed solar PV systems, and where no one system is greater than 4kW in size, should not be excluded.

**2.110** Concern was raised that some FIT-businesses allowed to continue to receive EIS investments would fall foul of the restrictions proposed in the consultation to prevent relief being made available to companies established solely for the purposes of accessing tax relief.

**2.111** A number of respondents requested that Community Interest Companies, Industrial and Provident and NI Industrial and Provident Societies, any company which reflects a "mutual" not for profit arrangement, and Development Trusts, a form of entity common in Scotland, should not be excluded.

**2.112** The legislation was thought to be sufficiently clear, though a small number recommended that detailed further guidance be provided for clarity and certainty. A small number of respondents were concerned that current drafting still left room for uncertainty.

## Government response

**2.113** The Government considers the exemptions made to the exclusion of FITs based businesses in the draft legislation to be sufficient and will not make any further changes to them.

**2.114** A number of specific drafting comments were raised in the consultation, and these will be considered, to ensure that the final legislation is clear and effectively achieves its policy aims.

## Other Ideas

During the consultation process some respondents raised ideas and suggestions outside the questions asked. This section attempts to summarise the more popular suggestions and provide the Government's response to them.

### Increasing the investment limit for VCTs

**2.115** Under current rules, a VCT can only invest up to £1 million per company per annum. A number of respondents suggested increasing this limit, in light of the changes announced at Budget 2011, to allow the investment per company of £10 million per annum, subject to State aid approval. It was argued that if the amount a VCT can invest in a company is not changed, 10 VCTs would have to raise the maximum investment of £1 million in order for a company to obtain the maximum investment of £10 million. Respondents thought that the current arrangements were impractical, and led to additional administration and cost.

## Government response

**2.116** The Government acknowledges this issue, and recognises that in light of wider reforms to the schemes, amending the limit would enable VCTs to raise funding required by eligible companies. The Government has therefore decided to remove this particular restriction other than where the company is a member of a partnership or party to a joint venture. VCTs will continue to operate under the restriction that no more than 15% of the total funds raised through a VCT can be invested in any one company.

### EIS Limited Partnerships

**2.117** A number of respondents thought that EIS relief should be extended to investments made through or into Limited Partnerships (LPs). Again these requests are partly in response to the Budget 2011 announcement to allow total EIS and VCT investment per company up to £10 million per annum, or as a vehicle for facilitating peer-to-peer equity investment.

**2.118** LPs are a common structure for venture capital and private equity funds and it was argued that they are required to facilitate the level of fund raising needed for investment at this level. One suggestion was for a Fund of Funds, where an LP EIS Fund acts as a fund of funds, investing in conventional VC funds, provided those VC funds invested a percentage of their capital in qualifying companies. Another suggestion was for a form of Co-Investment Fund, into which 50% of equity is provided by EIS investors and 50% from institutional investors. Operating in a similar fashion to the Government's Enterprise Capital Funds, the EIS investors would get a preferred return with a capped upside, at about 4.5%, and the institutional investors would receive all the residual upside.

### EIS Approved Funds

**2.119** A small number of proposals were put forward to improve the EIS Approved Fund.

## **Reintroduction of the Corporate Venturing Scheme**

**2.120** It was also suggested that the CVS could be reintroduced to incentivise larger corporations to invest in small companies.

**2.121** The CVS, introduced in 2000, was a policy with a fixed term, which came to an end in 2010. The scheme was similar to EIS but offered corporation tax relief to companies investing in qualifying companies. Take up was significantly lower than expected and the scheme was therefore allowed to expire as intended.

## **Government response**

**2.122** The Government is committed to its current programme of reforms to refocus and simplify the existing EIS and VCT schemes, and to introduce the new SEIS. However, the points raised in relation to wider reforms are welcome and will be taken into consideration should the decision be taken in the future to reform the schemes. As with all areas of the tax system, the operation and effectiveness of the Government's venture capital schemes will be kept under review.

# A

## List of respondents

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**A.1** The Government is grateful to all those who took the trouble to respond to this consultation. Their names are below.

Access to Finance Expert Group  
Advantage Early Growth Fund  
AEE Renewables  
AIC  
AIM VCTs Management Group  
Amadeus  
Amati Global Investors  
Angloscientific  
Anvil Partners  
Archangel  
Arts Council  
Baker Tilly  
Bath and North East Somerset Council  
Baywind Energy Cooperative  
BDO  
Beer & Partners  
BetaFoundation  
Better Capital  
BioCity Nottingham  
BioIndustry  
Blue Sky Corporate Finance  
Bovill  
Braveheart Ventures  
British Business Angel Association  
British Film Institute  
British Screen Advisory Council  
BVCA  
Cambridge Angels  
Campbell Dallas  
Cavendish  
CBI  
Community Energy Scotland  
Company Guides Venture Partners  
Create  
Creative Advantage Fund  
Crowdbnk  
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DFJ Esprit  
Downing  
Edge Investment Management  
EISA  
Endeavour Ventures  
Energy4all  
Ernst & Young

F4G Software  
Field Fisher Waterhouse  
Firth Ventures  
Forum of Private Business  
Funding Circle  
Gabelle  
Gilkes Energy  
GlaxoSmithKline  
Goldfield Partners  
Grant Thornton  
Green Trust Wind  
Guinness Asset Management  
Harcourt Capital  
Helmsway  
ICAEW  
Ingenious  
Institute for family business  
Institute of Chartered Accountants of Scotland  
Institute of Directors  
IP Group  
iPower UK  
Juno Capital  
KPMG  
Law Society of England and Wales  
Law Society Scotland  
Light Blue Optics  
LINC Scotland  
London Business Angels  
London Society of Chartered Accountants  
London Stock Exchange Group  
Low Carbon Investors UK  
Malde and Co  
Martineau  
MBM Commercial  
Mercia Fund Management  
MidVen  
MMC Ventures  
Music Managers Forum  
National Farmers Union  
NESTA  
Octopus Investments  
Oxford Capital Partners  
Polatis  
PwC  
RSM Tenon  
RW Blears  
Seedcamp  
Seedrs  
SI Sea Farms  
Sixteen Films  
Small Hydro Company  
Smith and Williamson  
Social Enterprise  
Social Finance  
Storm Forward  
Taylor Wessing



The Chartered Institute of Taxation  
The Quoted Alliance Company  
Time for Medicine  
Triple Point  
UCLB  
UK Cooperative  
UK Music  
Venture Beyond  
West Midlands Regional Finance Forum  
Zanran Ltd

**A.2** We also received nineteen responses from individual respondents. In addition to these we also received twenty-eight emails in support of submissions made by others.





## **HM Treasury contacts**

This document can be found in full on our website: <http://www.hm-treasury.gov.uk>

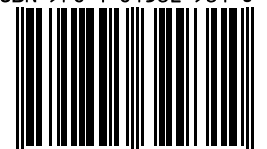
If you require this information in another language, format or have general enquiries about HM Treasury and its work, contact:

Correspondence Team  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

Tel: 020 7270 5000  
Fax: 020 7270 4861

E-mail: [public.enquiries@hm-treasury.gov.uk](mailto:public.enquiries@hm-treasury.gov.uk)

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