

# The 2023 Spring Budget

Chancellor's Statement of 15 March 2023



## Venture Capital Tax reliefs

Seed Enterprise Investment Scheme

Enterprise Investment Scheme

Venture Capital Trusts

Social Investment Tax Relief

### Summary

- EIS and VCT extended beyond 2025
- SEIS limits increased for companies and investors
- SITR not renewed

## The 2023 Spring Budget

Today's Budget has a backdrop of continuing economic uncertainty, and the concern of businesses over the forthcoming increase in the rate of corporation tax and a reduction in the R&D tax credits regime. The Government's recent efforts in respect of the collapse of Silicon Valley Bank show the continuing importance of growing, innovative businesses to the health of the UK economy, and wider market confidence.

The Chancellor did not mention the venture capital tax reliefs in his speech. He began his statement by saying that growth is a priority and the focus of this Budget Statement. He said, "I want us to have the most pro-business pro-enterprise tax regime anywhere".

There will be further announcements on support for enterprise in the Autumn. There is a consultation for launching the Long-term Investment for Technology and Science (LIFTS) initiative, which has a view of "establishing new investment vehicles to crowd-in investment from institutional investors, particularly defined contribution (DC) pension funds, to the UK's most innovative science and technology companies" <https://www.gov.uk/government/consultations/long-term-investment-for-technology-and-science-lifts-initiative-request-for-feedback>.

### SEIS limits

The Budget documents confirm that the increased SEIS limits for companies and investors will be enacted. These were promised in the 2022 Autumn Statement.

- From 6 April 2023, companies will be able to raise up to £250,000 of SEIS investment, an increase from the current limit of £150,000
- Currently a company raising SEIS funds must have gross assets of no more than £200,000. From 6 April 2023, the gross asset limit will be increased to £350,000
- The business being funded by SEIS investment must currently be less than 2 years old. This is to be increased to 3 years for share issues on or after 6 April 2023
- The annual investor limit will be increased to £200,000 from £100,000

It should be noted that under current legislation, if a company has already received EIS or VCT funding, it cannot receive any further SEIS investment, even if it is with the revised age and gross assets limits for SEIS.

We welcome these changes which are designed to increase the flow of private capital into the UK's small and growing businesses.

### EIS and VCT sunset clause

In his 2022 Autumn Statement, the Chancellor confirmed the intention for EIS and VCT tax relief to continue beyond 2025. We await details of how the EIS and VCT regimes will be extended.

The Chancellor recently wrote to Harriett Baldwin MP, Chair of the Treasury Select Committee, confirming the Government's ongoing support for the EIS and VCTs, and that the Northern Ireland Protocol is no barrier to the continuation of EIS and VCT investment, see

<https://committees.parliament.uk/publications/34330/documents/189004/default/>.

As a reminder, since 2011, the EIS and VCT income tax reliefs have been considered to be a form of State aid. The European Commission required that the tax reliefs receive EU State aid approval. When EU State aid approval was last obtained in 2015, it was a requirement that a "sunset" clause be included in the EIS and VCT legislation. The Income Tax Act 2007 currently states that EIS and VCT upfront income tax reliefs are given for shares issued on or before 5 April 2025. There are powers in the Income Tax Act to extend this date by secondary legislation.

The recent Windsor Framework should also give the Government the power to expand the scope of EIS and VCT without EU approval in Great Britain, and also in Northern Ireland if it can be proved it does not materially affect the market.

The venture capital tax reliefs have fostered many start-ups and small businesses, and have been supported by successive governments since the 1990s. To help support entrepreneurs and their companies whose businesses depend on the ongoing availability of EIS and VCT funding, we have been making representations and have been supporting the EIS Association and the VCT Association with their submissions to government ministers and officials.

### **Social Investment Tax Relief**

The SITR (a tax relief for investment in social enterprises, based on the EIS) was introduced from 2014 and originally had an end date of 5 April 2021. This was extended to 5 April 2023.

The Budget statement confirms that SITR will expire on 5 April 2023, which is unfortunate for the social enterprises which could benefit. Comparatively few companies have raised investment under the SITR. According to HMRC statistics, between 2014 and May 2022 only 185 enterprises had raised funds using SITR and the amount raised in total for this period was £18.6m.

This may be partly because the SITR has not been widely publicised. There are also restrictions on the amounts that can be raised under SITR; also many social enterprises exceed the seven year age limit which is a requirement of obtaining EU State aid approval for SITR.

### **Enterprise Management Incentives**

The process for granting options under an EMI scheme is to be simplified. From April 2023, the requirement for a company to set out details of share restrictions within the option agreement and the requirement for a company to declare an employee has signed a working time declaration will be removed. From April 2024, the deadline for a company to notify HMRC of the grant of an EMI option will be extended from 92 days following grant, to the 6 July following the end of the tax year.

This is a summary only issued on 15 March 2023, and based on the Budget Statement, rather than on any legislation that will be enacted.

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