

The Chancellor's Budget Statement of 26 November 2025



Venture Capital Tax reliefs

Enterprise Investment Scheme
Venture Capital Trusts

Summary

- Expansion of EIS and VCT investment criteria
- Reduction in VCT income tax relief

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Today's Budget Statement was given against a backdrop of low growth figures and high government borrowing. There seems to have been more speculation about this Budget than any in recent history, with somewhat confusing messages from the government. Investors, businesses and entrepreneurs who are already suffering from the increased National Insurance Contributions and are affected by forthcoming reductions in Inheritance Tax reliefs, have been nervous about further tax rises.

The Chancellor emphasised the importance of growth and stability, and the desire to "make Britain the best place in the world to start up and scale up and to stay". There are changes to the EIS and VCT rules in support of this.

EIS and VCTs

The Spring Statement was exactly eight months ago, and in that Statement the Chancellor included positive language about the venture capital tax reliefs. The government held round tables with key stakeholders in May and June this year. There have been many representations showing that by making a few changes and lifting some restrictions, more can be done to support the UK's growing businesses through the EIS and VCTs. The current maximum age requirement and the lifetime investment limits are particularly adverse to companies in the regions of the UK, and to life sciences and engineering businesses.

We therefore welcome the Chancellor's announcement for "reengineering our Enterprise Investment and Venture Capital Trust schemes so they don't just back early stage ideas, but stay with companies as they grow". She remarked that "half of new jobs in Britain are created by scale up businesses, and we want these jobs created here, not somewhere else".

Expansion of EIS and VCT limits

Many companies will be pleased with the announcement of the increase in the amounts they can receive from EIS and VCT investments.

The proposed changes

	Current limit	Increased limit from 6 April 2026
Annual company investment limit	£5 million (£10 million for <i>knowledge intensive</i> companies)	£10 million (£20 million for <i>knowledge intensive</i> companies)
Lifetime company investment limit	£12 million (£20 million for <i>knowledge intensive</i> companies)	£24 million (£40 million for <i>knowledge intensive</i> companies)
Gross assets requirement	£15 million before the share issue; £16 million immediately after the share issue	£30 million before the share issue; £35 million immediately after the share issue

These changes apply to investments made on or after 6 April 2026; they mean that more companies will be able to benefit from EIS and VCT investment, and will also allow VCTs to follow on more of their investments for longer.

There are no changes to the permitted maximum age limit. An increase in the age limit would have particularly benefitted businesses outside of London and the South East.

These increases will not apply to companies registered in Northern Ireland and which are trading in goods; this is no doubt because Northern Ireland is subject to EU State aid restrictions.

Reduction in VCT income tax relief

There is also a disappointing announcement, that the rate of income tax relief for investment in VCTs is being reduced to 20% (from 30%). This applies to shares issued by VCTs on or after 6 April 2026. There is no such reduction in the rate of tax relief for EIS investment.

The Budget Statement explains that this is “to better balance the amount of upfront tax relief offered by VCTs compared to the EIS and incentivise funds to support high-growth companies, the government is reducing the upfront VCT Income Tax relief from 30% to 20%.” This is a somewhat strange statement, since the EIS also includes deferral relief which is available on investment, and there is also loss relief. Unlike shares in VCTs, EIS shares will usually benefit from some Inheritance Tax relief. It is view of HM Treasury that VCTs invest at a later stage than a typical EIS investment, which they regard as being as lower risk, and this has arisen from consultations. The reduction in tax relief could cause VCTs to seek lower risk investments or reduce the amount of VCT capital available for investment.

All of the above changes will be legislated in the 2025/2026 Finance Bill.

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