PhilipHare&Associates

The Chancellor's Budget Statement of 28 October 2026

Venture Capital Tax reliefs

Seed Enterprise Investment Scheme
Enterprise Investment Scheme
Venture Capital Trusts

Summary

- Simplifying some of the SEIS, EIS and VCT criteria
- Government response to the Tax Support for Entrepreneurship: Call for Evidence
- Review of the Advance Assurance process for SEIS and EIS companies
- Other entrepreneurial tax provisions, including tax advantaged employee share schemes and a new founders' and early investors' relief

Philip Hare & Associates LLP is a limited liability partnership registered in England and Wales under number OC394844.
Its registered office address is Bridge House, 181 Queen Victoria Street, London, EC4V 4EG

The Chancellor's Budget Statement of 28 October 2026

This is John Healey MP's first Budget Statement, and the first of the new administration. Before the Budget, the Chancellor said the Budget will move "money and power out of Westminster, and into every postcode around Britain", and this was reiterated in his opening remarks. In his speech, he said he wanted to unleash the innovation power of Britain, and back Britain's entrepreneurs. He wants start-ups and scale-ups to succeed and stay in Britain.

In the Autumn 2025 Budget, and as a result of industry lobbying, there were some welcome changes to the EIS and VCT criteria, which allow companies in Great Britain to receive greater levels of funding from EIS and VCT investors.

At the same time, however, the income tax relief for investing in a VCT was cut from 30% to 20% which was a disappointment to the industry, argued by many to be counterproductive given that it would reduce capacity to raise funds to support business growth. We understand that fund raising for VCTs has fallen dramatically; this is unfortunate but not unexpected, and we understand currently VCTs have raised around 70% less funds this tax year than at an equivalent stage last year.

The EIS and VCT industry has continued to lobby for a relaxation of the age limit and to reverse the VCT income tax relief cut, including yesterday when Chris Lewis (chair of the VCT Association) appeared before the Business, Innovation, Science and Trade Select Committee as part of its new inquiry into Entrepreneurship and business.

In November 2025, a consultation "**Tax Support for Entrepreneurs: Call for Evidence**" was launched. As well as covering questions on tax-advantaged employee share schemes, the consultation also included questions about the venture capital tax reliefs, and how EIS and VCT funds invest and the fees charged to companies. The results of the consultation, which considered over 240 written responses from a broad range of stakeholders, with officials also holding more than 50 meetings and roundtables with over 100 organisations, were given at this Budget. We highlight the key aspects relevant to SEIS, EIS and VCTs below.

SEIS, EIS and VCTs

It was announced in the results of the "Tax Support for Entrepreneurs: Call for Evidence" consultation that the government will make the SEIS, EIS and VCT reliefs easier to use through a number of technical changes to be made in Finance Bill 2026-27 applicable from 6 April 2027. Such changes include:

- ensuring that exceeding an EIS investment limit does not automatically result in all tax relief being lost;
- allowing SEIS, EIS and VCT investment to take place on the same day;
- preventing late payment by one or more investors from affecting the tax relief available to other investors;
- aligning the SEIS rules on interest charged when relief is withdrawn or reduced with the equivalent EIS rules; and
- ensure that any withdrawal of VCT income tax relief is calculated using the rate that applied when the shares were issued (applicable from 6 April 2026)

It was announced that these technical changes are designed to simplify the administration around the schemes.

Some companies have not been aware of the detailed requirements when issuing shares and, unfortunately, it has meant that tax relief is not always available.

We welcome the ability to issue SEIS and EIS shares on the same day, and care will be needed around the SEIS gross asset limit to ensure this can still be met. We look forward to reviewing the detail when the draft Finance Bill is published.

Outlook and non-legislative improvements

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, and would have helped with "growth in every postcode". The response to the "Tax Support for Entrepreneurs: Call for Evidence" consultation says 'For company age limits, the Government does not consider there is a strong case for further extending the age limits but HMRC will improve the guidance on how the rules operate in practice.'

The Government has said it recognises concerns about the reduction in the VCT income tax relief, and the schemes as a whole will be kept under review.

The Government will strengthen guidance and compliance activity on what they regard as excessive fees charged by EIS funds and VCTs, to ensure more tax advantaged money reaches the businesses it was raised to support.

The response to the consultation comments positively on the existing Capital Gains Tax deferral relief available when reinvesting into EIS shares, stating, 'Awareness of these existing reliefs remains too low. The Government will raise their profile and improve guidance so that founders and investors can more easily understand when the reliefs are available, how they work and how to claim them.' It remains to be seen how this is implemented.

The response also suggested that the Government wishes to ensure that SEIS, EIS and VCT investment continues to support UK economic growth and investment. It is clear that there is concern over investments in overseas registered companies or where the funds are largely used to fund overseas operations. The UK permanent establishment requirement has been subject to an increased level of scrutiny by HM Revenue & Customs over recent months and years and it is suggested that Government may consider options for actions if the 'objectives of the schemes are being undermined'.

Other entrepreneurial tax provisions

The Government will make certain targeted improvements to simplify the operation of employee share schemes (including Company Share Option Plan ("CSOP") and The Enterprise Management Incentive ("EMI")) and address specific issues that can arise for businesses and employees. The Government will rebrand CSOP as "Enterprise Management Incentives 2 (EMI 2)"

There will be a new founders' and early investors' relief from April 2027 providing a lower rate of capital gains tax of 10% for the first £10 million of gains realised by founders of businesses. The Government is inviting responses to its consultation on this new relief by 30 November 2026 through submissions to EnterpriseTax@hmtreasury.gov.uk.

At the same time the gains which qualify for Business Asset Disposal Relief will be halved to £500,000.

We welcome initiatives to incentivise early-stage investment in UK businesses.

Philip Hare & Associates LLP

Contact details:
Office Tel: 020 3141 9108
Office address: Bridge House, 181 Queen Victoria Street, London, EC4V 4EG
Website
LinkedIn

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