

The Mini Budget

Chancellor's Statement of 23 September 2022



Venture Capital Tax reliefs

Seed Enterprise Investment Scheme

Enterprise Investment Scheme

Venture Capital Trusts

Summary

- EIS and VCT extended beyond 2025
- SEIS limits increased for companies and investors

Chancellor's Mini Budget – September 2022

This is the first fiscal statement made by the new Chancellor, and was given against the backdrop of rising energy prices, upward pressure on interest rates and costs of living. With a new Prime Minister at the helm, the government is keen to be fostering growth as well as to assist with economic pressures.

EIS and VCT sunset clause

The venture capital tax reliefs have fostered many start-ups and small businesses, and have been supported by successive governments since the 1990s.

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 are approved by them, and 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 was amended to state the EIS and VCT upfront income tax reliefs would be given for shares issued on or before 5 April 2025. The sunset clauses in the Income Tax Act give the government the power to extend this date by secondary legislation.

It has been an increasing concern of entrepreneurs and small businesses that private funding will dry up if the "sunset" clause is not extended or removed. This has been creating uncertainty and there have been many representations to the government that a decision should be taken sooner rather than later, in order to remove this uncertainty. We have had meetings with ministers and officials, and have been supporting the EIS Association and the VCT Association with their representations to the government.

Whilst it was not originally expected that any such announcement would be made before 2023, this morning the Chancellor has announced that the sunset clause for EIS and VCTs will be extended beyond 2025. We await further details of this. It is good to read that the government remains supportive of the EIS and of VCTs and sees the value of extending them in the future.

SEIS limits

The Chancellor has also announced that the SEIS limits for companies and investors will be increased.

- From 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 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
- 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 age and gross assets limits.

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

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

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