

THE VENTURE CAPITAL SCHEMES (SEIS, EIS and VCT) and SOCIAL INVESTMENT

There are limited changes to the venture capital schemes announced at this year's Autumn Statement. However, [it](#) does announce that:

- **gains eligible for entrepreneurs' relief which are deferred and invested into companies qualifying for EIS and the social investment tax relief (SITR), will retain the lower capital gains tax rate (10%) when the gain is realised.** This aligns the existing CGT deferral relief for investments into EIS and SITR with entrepreneurs' relief. This change will take immediate effect;
- the **social investment tax relief will be expanded** (subject to State aid approval) to allow companies to benefit from up to £5m of tax-advantaged investment annually under that scheme, and up to £15m investment in total. The government will also take forward work to introduce a new social venture capital trust, operating in a similar way to the existing VCTs. More details will be set out in the government response to consultation next week;
- to continue to ensure that the tax reliefs are well targeted, from 6 April 2015 **all companies (including those producing energy from anaerobic digestion and hydro power) benefiting substantially from energy generation subsidies will no longer qualify for tax reliefs under SEIS, EIS and VCT*, with the exception of community organisations.** Community energy organisations will continue to be eligible for the venture capital schemes until the expansion of the social investment tax relief, at which point they will no longer qualify for investment under SEIS, EIS or VCT; and
- the government will introduce a **new digital process for companies and investors** using SEIS, EIS and SITR in 2016, which should make it easier to use the schemes and improve the process for everyone involved. VCTs are indirect investment vehicles and therefore the processes that fund managers and investors use are slightly different to the direct investment schemes. However, [the government](#) will also be producing a new format for VCT returns.

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Those investing in companies that are involved in research and development may also be interested in noting that the rate of the super-deduction under the **R&D tax credit for small and medium enterprises is being increased** from 225% to 230%. The government will also introduce an advance assurance scheme for small companies making their first R&D tax credit claim. The government will launch a consultation on the applications process for smaller businesses in the new year.

The government will also provide small businesses with **more support for access to finance** – with a further £400m provided to extend and expand the Business Bank's **Enterprise Capital Funds** over the next three years and further funding for the Enterprise Finance Guarantee Scheme, and a new UK Trade and Industry package to support **first time exporters**. Small businesses will also benefit from the doubling of the **small business rates relief**, which has been extended for a further year to help over half a million small businesses.