

Confluence Tax LLP

Budget 2015

18 March 2015

The major changes relevant to technology and biotechnology companies announced in the 2015 Budget are set out below.

R&D Tax Credits

There are no new announcements regarding R&D tax credit rates. Following a consultation, a number of measures are to be introduced to encourage take-up by smaller businesses, including new guidance for companies.

We are still awaiting details on how the voluntary advance assurance process (previously piloted) will be introduced as a permanent measure, but it should allow companies to have claim processes agreed and annual claims paid without enquiry for three years.

Entrepreneurs' Relief ('ER')

ER broadly provides a 10% rate of capital gains tax on a sale of trading assets or a trading company. Two key changes have been announced.

i. Academics

There are two key ER conditions that an academic involved in a spin-out company may not meet:

- Being a director or employee of the company
- Holding 5% of the company in the 12 months up to disposal.

A review of ER is proposed, which hopefully will lead to these rules being relaxed so that ER is available to academics involved in spinning IP into companies.

ii. Anti-avoidance

Further anti-avoidance measures for ER are being introduced. Amongst other schemes, this should tackle arrangements where shareholders have joint ownership over a single 5% shareholding pot in order to attempt to claim ER.

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SEIS/EIS/VCT

Subject to EU State Aid approval (expected later this year), there are a number of changes to these venture capital schemes. Most of these involve new limits which will not affect SME technology or biotechnology companies.

However, there is welcome news that a difficult condition is to be withdrawn. An SEIS fundraising can only be for up to £150,000 and there is currently a requirement for 70% of the cash from an SEIS fundraising to be spent before an EIS or VCT fundraising occurs. It is now intended to remove this requirement. This should avoid the need for complex legal and cash mechanics on combined SEIS/EIS fundraisings of over £150,000.

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