

Confluence Tax LLP

Summer Budget 2015

8 July 2015

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

Corporation Tax Rate

The corporation tax rate is to fall as follows:

Financial year beginning 1 April 2016	20%
Financial year beginning 1 April 2017	19%
Financial year beginning 1 April 2018	19%
Financial year beginning 1 April 2019	19%
Financial year beginning 1 April 2020	18%

R&D Tax Credits

No changes have been made, other than to remove the ability for charities and universities to claim R&D Expenditure Credits (or 'Above the line' credits). This restriction does not extend to university or charity spin-out companies.

SME R&D tax credits are unaffected by this budget.

SEIS/EIS/VCT

Subject to Final 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.

In addition, a problematic condition will be withdrawn.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. This requirement will be removed with effect from 6 April 2015. This should avoid the need for complex legal and cash mechanics on combined SEIS/EIS fundraisings of over £150,000.

Capital Allowances

The Annual Investment Allowance, of capital expenditure which can be deducted in the year of acquisition, is to be fixed at £200k from 1 January 2016. It is currently £500k.

There are changes coming from 1 July 2016 for the patent box regime, which provides for a reduced rate of corporation tax on patent related profits. These changes could reduce the value of the patent box, so the fall in the main corporation tax rate is a very welcome measure.

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