



TAX INSIGHT UK

Spring Statement

Improving incentives for UK Innovators

March 2018

Tax for Innovative Companies

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At a glance: Philip Hammond, delivered his first Spring Statement on 13 March 2018. A number of consultations were rolled out, to improve the long term corporate tax road map and investor reliefs for innovative companies

Detail: As was widely expected, the Chancellor made no further changes to tax rates per se; but introduced various qualitative consultations affecting corporate taxes:

Making tax digital: The Government has set out in more detail how it believes the challenges posed by the digital economy can be resolved. See Position paper: Corporate tax and the digital economy.

This will also help to inform the work being carried out by the OECD and the G20 in simplifying corporate tax administration.

Enhanced EIS reliefs for innovators - 'Knowledge-intensive fund'

As part of its response to the Patient Capital Review, HM Treasury has launched further consultation to seek views on how to enhance **capital funding for innovative companies**. This follows on from technical changes to the EIS and VCT rules announced in Autumn Budget 2017.

Possible tax incentives to encourage individuals to make long-term investments into such funds are:

Tax free dividend rules and Tax free capital gains

Dividends: EIS fund dividends paid to the investor could be tax-free after a fixed holding period.

Capital gains exemptions - a percentage of the individual's gain arising on an EIS asset could be exempted from capital gains tax where reinvested into further EIS assets.

The Government clearly has innovative companies as part of its overall Industrial Strategy and the formal consultation – see Consultation: 'Financing growth in innovative firms', is a positive step. The Statement consolidates the Autumn Budget improvements in RD relief rates.

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For more information on tax for innovative companies see:
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Read our book:
UK R & D Tax Reliefs – Bloomsbury Professional Press

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