

Quoted Companies Alliance Budget Representations 2013

SUMMARY OF PROPOSALS

Encouraging long-term investment and funding for growth

<u>Issue</u>	<u>Proposals</u>	<u>Appendix</u>
Capital Gains Tax (CGT) Reform of Entrepreneurs' Relief	<p>Short-term proposals:</p> <p>Abolish the condition that the shareholder must have 5% of the voting rights and 5% of ordinary share capital in the company in order to qualify for the relief ('5% Requirement').</p> <p>Have the relief applied from the date shares are acquired, or the date the option is granted (rather than exercised), for all HMRC "approved" schemes, including Enterprise Management Incentive Schemes.</p> <p>To fund the above relaxations and to promote long-term investment, extend the current holding period from one year to two to three years.</p> <p>Long-term proposals:</p> <p>Rebrand Entrepreneurs' Relief as 'Stakeholders' Relief' to identify those parties that make a meaningful contribution to the success of a business and more clearly align employee and shareholder interests to promote long-term growth and employment.</p> <p>In addition to employees and officers, target this relief for long-term investors:</p> <ul style="list-style-type: none"> • Remove the 5% Requirement and the condition that only officers and employees can qualify for CGT Entrepreneurs' Relief. • Introduce a three to five year holding period for shares for persons other than employees/officers to attract and reward long-term investment. • Consider targeting this relief to the SME sector. <p>Specific adjustments to the current regime:</p> <p>For Enterprise Management Incentives options qualifying for Entrepreneurs' Relief, have the 12 month holding period run from the date of grant rather than exercise.</p> <p>Amend legislation to confirm that the exercise of options on the same day would not cause the Entrepreneurs' Relief to be lost.</p>	A.i
Dividend Tax Credit for Pension Funds	<p>Reinstate the Dividend Tax Credit for pension funds, targeting this relief to investment in the SME sector.</p> <p>To encourage long-term investment, only apply the credit if shares have been held for at least three years</p>	A.ii

ISAs	Allow investments quoted on exchange regulated markets (e.g. AIM and ISDX) to qualify for inclusion in ISAs.	A.iii
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Creating a level playing field for debt and equity

Cost of raising equity	Allow listing costs to be tax deductible for small and mid-size companies and/or subject to an upper limit.	B.i
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Creating a simple and reliable tax system

Worldwide Debt Cap	Eliminate the exclusion of debtor balances of less than £3m so that, effectively, the gateway test is on a total UK net debt basis. If necessary, this exclusion could be restricted to groups that meet certain size criteria.	C.i
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Allow groups below a certain size threshold to calculate net debt on the basis of UK consolidated group accounting figures.

Make the gateway test optional, which would permit groups, if they so wish, to go straight to the detailed calculations.

Transfer Pricing	Confirm that medium-sized groups are not required to compile contemporaneous evidence to support pricing policies, unless they wish to.	C.ii
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Confirm that HMRC will not seek to discount the value of evidence compiled at a later date following the commencement of HMRC enquiries.

Senior Accounting Officer Requirements	Amend the tests of whether companies need to file for a senior accounting officer certification, so that they are by reference to group consolidated figures, which better reflect a commercial group's overall position.	C.iii
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Size Tests	Align size definitions for tax purposes as far as possible.	C.iv
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Enterprise Investment Scheme and Permanent Establishment	Extend the UK PE requirement so that the issuing company or a subsidiary it owns can satisfy the test.	C.v
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Increasing investment and liquidity

Stamp Duty	Eliminate Stamp Duty on shares quoted on exchange regulated markets (e.g. AIM and ISDX) and announce the intention to eliminate Stamp Duty for all shares over a three year period.	D.i
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