

Client Alert.

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Welcome News: The UK Budget 2011 - EIS and VCT Schemes

By Trevor James and Sonia Girgis

The 2011 Budget introduces significant improvements with proposals that will extend the enterprise investment scheme (EIS) and venture capital trust (VCT) rules. All of the new announcements, which are summarised below, are subject to EU State aid approval. This is very welcome news since these changes have been requested by those in the industry over a period of time.

From 6 April 2011

- EIS income tax relief will be available at the rate of 30%, an increase from the present 20% relief.

From 6 April 2012

- The annual maximum amount that can be invested in a company will increase from £2 million to £10 million.
- The gross assets restriction will rise from £7 million to £15 million before investment (and it would appear that there will be no limit on gross assets after investment; the current limit is £8 million).
- The employee limit will rise to 250 persons, from the current 50 person limit.
- The annual investment limit by an individual under the EIS will rise from £500,000 to £1 million.

The relaxation of various thresholds and scheme conditions is good news for all qualifying small and medium enterprises (SMEs) including AIM listed companies. The changes will substantially expand the number of companies that can benefit from the rules. Investors will also largely benefit from the additional income tax relief available for investments in EIS companies.

The information above is a brief summary of the major changes to the EIS and VCT rules. For further information, please contact:

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