QUOTED COMPANIES ALLIANCE

Press Release

10 November 2015

Capital Gains Tax shake-up among measures urged by the Quoted Companies Alliance to boost the UK's engines of growth

The Quoted Companies Alliance, the independent membership organisation that champions the interests of small to mid-size quoted companies, today calls on the Chancellor to boost long-term investment in the crucial growth-company sector by curbing 'arbitrary' tax rules.

To encourage wider employee share ownership and align employee and management goals in driving growth, the Quoted Companies Alliance urges George Osborne to use his upcoming Autumn Statement to remove the 5% threshold for Entrepreneurs' Relief on capital gains tax in respect of shares held by employees and officers.

Any cost to the Exchequer would be at least partially funded by employees exercising unapproved share options - generating a large PAYE and NI receipt - as they attempt to qualify for the 12 month share holding period, which the Quoted Companies Alliance is proposing.

The Quoted Companies Alliance, whose members include public companies, their advisers and investors, would also like to see this relief expanded to long-term, patient SME investors in order to recognise all stakeholders who make a meaningful and important contribution to growing businesses. This would encourage more long-term investment in growth companies.

The organisation also called on Mr Osborne to promote wider employee share ownership by relaxing the requirements of the Company Share Option Plan (CSOP) and incentivising long-term investment by reinstating the dividend tax credit for those pension funds that back growth companies.

"With bank finance still in short supply, the ability of small and mid-size quoted companies to obtain and maintain funding for economic growth is a crucial issue for the UK economy," said Tim Ward, Chief Executive Officer of the Quoted Companies Alliance. "Our proposals are simply designed to help inspire private sector growth and employment."

Echoing its submission from last year, the group renewed its call for a level playing field for equity and debt – an imbalance that is both a cause and a consequence of the 2008 financial crisis. The costs of raising equity should be tax-deductible. VAT case law already supports the principle and aligning the direct and indirect tax treatment would achieve greater consistency in the tax system.

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The detailed Quoted Companies Alliance's proposals describe how the measure could work and compare the tax treatment of equity-raising across 19 European states, highlighting how the UK suffers an extreme position by not allowing some type of tax relief for the costs of raising equity. The estimated £80m cost to the Exchequer would be heavily outweighed by economic benefits generated.

Both current and new tax legislation are increasing in length and complexity, which adds to the cost of compliance for UK companies and exacerbates the UK's reputation as among the world's most complex tax regimes, despite the efforts of the Office of Tax Simplification.

Tim Ward added: "We are increasingly concerned that some areas of tax legislation impose a disproportionate compliance burden on small and mid-size quoted companies, including the worldwide debt cap rules, transfer pricing and size tests in tax legislation. We encourage the UK Government to ensure that it reduces the burden on companies of complying with thousands of pages of tax legislation. We want to see more of the changes suggested by the Office of Tax Simplification implemented in order to achieve the end goal of a simpler and more effective tax system."

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Notes to editors:

1. The Quoted Companies Alliance's Proposals for Taxation Reform: 2016 Budget are available at: www.theqca.com/budget2016

2. The Quoted Companies Alliance is the independent membership organisation that champions the interests of small to mid-size quoted companies. We campaign, we inform and we interact to help our members keep their businesses ahead. Through our activities, we ensure that our influence always creates impact for our members. For more information please visit www.theqca.com.