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Corporate

# Tax-advantaged venture capital schemes:

ensuring continued support for small and growing  
businesses

## Response to Consultation *(published 10 July 2014)*

## **Introduction**

1. The Institute of Financial Accountants (IFA) and the Federation of Tax Advisers (FTA) welcome the opportunity to comment on the consultation document in respect of Tax-advantaged venture capital schemes published by HM Revenue & Customs (HMRC) on 10 July 2014.
2. We should be happy to discuss any aspect of our comments and to take part in all further consultations on this area.
3. Information about the IFA and the FTA is given below.

## **Who we are**

4. The IFA is an internationally recognised professional accountancy membership body whose members work for small and medium-sized enterprises (SMEs) or who run or work in small and medium-sized accounting practices (SMPs) that advise SMEs.
5. At the IFA, we put small and medium enterprises (SMEs) first, recognizing their role as vital wealth-creators, as employers to more than half of the UK's private sector workforce and as the power behind vibrant urban and rural communities. We hold the interests of small and medium practices (SMPs) in the accounting profession in equal regard.
6. The FTA is the Tax Faculty of the IFA and is the modern membership body for agents who provide tax compliance and planning expertise to SMEs and entrepreneurs. It is the tax representative for IFA and FTA members.
7. We are proud of our unique relationship with our members, who predominantly come from a SME/SMP background. As a professional accountancy body, we aim to provide the very best support and guidance to our members who operate within this arena, frequently tailoring policies and recommendations to meet the unique challenges and trading relationships associated with smaller business.
8. Founded in 1916, the IFA supports over 10,000 members and students in more than 80 countries with a programme of professional qualifications and education. As well as resources, events, training and seminars. IFA members uphold high standards of conduct, confidentiality and ethics and undertake annual continuing professional development (CPD) activities.
9. The IFA is a full member of the International Federation of Accountants (IFAC), the global body for the accountancy profession. As such, the IFA takes its place alongside the UK and Ireland's six chartered accountancy bodies, as well as 135 national and regional accountancy organisations representing 125 countries and jurisdictions.
10. The IFA is formally recognised as an awarding organisation by Ofqual, the public body responsible for monitoring standards, exams and qualifications (other than degrees) in England, underlining the quality of the IFA's work and the integrity of its qualifications; and is authorised by HM Treasury for Anti Money Laundering supervision.

## **General Comments**

11. Thank you for the opportunity to respond on the consultation.
12. Whilst our members do not have significant dealings with venture capital schemes our general comments in relation to the consultation are set out below.
13. We agree that the venture capital schemes currently meet the overarching principles of providing a platform enabling start up companies to raise funds from investors.

14. In addition, the current limit for tax-advantaged investment in qualifying companies of £5m is adequate for most start up companies.
15. The introduction of SEIS has focussed attention on venture capital schemes, and has encouraged more start up companies to look at SEIS as a means of raising funds.
16. However, the rules are complex, particularly for companies seeking to raise funds under venture capital schemes, and could therefore benefit from simplification. That being said, we recognise that safeguards are required in order to target the relief to appropriate companies.
17. However, the classes of qualifying companies should be reviewed to take into account modern business practice and changing attitudes towards risk.

**Specific comments on the consultations**

18. Given the limited degree of involvement of our members with Venture Capital Schemes we have decided not to respond to the specific questions raised within the consultation.

Should you wish to discuss our responses further, please contact [AdamL@ifa.org.uk](mailto:AdamL@ifa.org.uk) in the first instance.