Budget predictions 2017: AIM

Ahead of the Autumn Budget 2017, corporate tax director Helena Kanczula looks at measures that could affect AIM-listed companies.

Enterprise Investment Scheme (“EIS”) reliefs

There has been some speculation that the Budget could look to restrict some of the reliefs available to investors under the EIS. Investments in AIM-listed groups will often benefit from EIS relief where the necessary conditions are met, and this acts as a significant incentive to wealthy investors who might wish to invest in this market. The withdrawal or reduction of relief could therefore make it harder for smaller AIM-listed groups to raise the finance necessary for growth and job creation.

A simplification of both the EIS relief conditions and the administration required to claim relief could encourage investment in the AIM market.

Corporation tax

For AIM-listed groups, the costs and resource involved with tax compliance represents a significant burden. HM Revenue & Customs (“HMRC”) should now look at whether, for companies with straightforward business affairs, the accounts should be used as a basis for calculating tax with adjustments for a limited number of expenses and reliefs such as capital allowances.

Until recently many AIM-listed groups had a dedicated HMRC relationship manager. The withdrawal of this facility for all but the largest groups has increased compliance costs for many companies. The reintroduction of an interface between businesses and HMRC would be greatly welcomed by AIM-listed groups and their advisors.

Tax efficient share schemes

As options issued to employees can only qualify for the Enterprise Management Incentive ("EMI") regime if the group employs fewer than 250 employees, many AIM-listed groups are precluded from offering tax-advantaged share options to their employees. This can make it more difficult for these groups to attract the very highest-calibre talent. An increase in the EMI thresholds would be welcomed by many AIM-listed groups who are keen to incentivise their staff but reluctant to implement other incentive arrangements that are more difficult to implement and often bring payroll costs.

Apprenticeship Levy

The Apprenticeship Levy has introduced a significant cost to larger AIM-listed groups. Evidence suggests that many companies in the AIM market are unable to access the funds necessary to train apprentices and so the levy merely represents an additional tax burden. More flexibility around the structure of training carried out by apprentices would be welcomed as many groups are keen to take on apprentices, but operate in industries that do not require the level of structured training currently necessary to qualify.

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