QUOTED COMPANIES ALLIANCE

Press Release
3 December 2014

Quoted Companies Alliance encourages the Chancellor to do more to support growth companies

In response to the Autumn Statement today, the Quoted Companies Alliance, the independent membership organisation that champions the interests of small to mid-size quoted companies, continues to urge the Chancellor to encourage long-term investment and permanent equity finance for the UK's engines of growth – small and mid-size quoted companies.

The Quoted Companies Alliance believes that the Chancellor should have used the Autumn Statement today to rebalance the tax treatment of equity and debt by making the costs of raising equity tax deductible. Research from the Quoted Companies Alliance in its *Proposals for Taxation Reform* shows that 19 other European countries have some form of tax relief for the costs of raising equity, thus highlighting the UK's extreme position on this. The cost to the Exchequer is estimated to be only £60m per annum.

Nonetheless, the Quoted Companies Alliance welcomes the change announced in the Autumn Statement that allows gains eligible for Entrepreneurs' Relief to be deferred into Enterprise Investment Scheme (EIS) investments and benefit from Entrepreneurs' Relief when the gain is realised. However, the Government could have encouraged more long-term investment in growing companies by removing the arbitrary 5% shareholding requirement for Entrepreneurs' Relief so that all who contribute to the success and growth of a business can qualify.

Tim Ward, Chief Executive of the Quoted Companies Alliance, comments: "It is disappointing that the UK continues to have an unlevel playing field when it comes to the tax treatment of debt versus equity. For a small and mid-size company, the costs of raising equity represent a big percentage of funds raised and thus can be a major disincentive to listing on a public equity market. The current arrangement distorts the tax system.

"As we emerge from recessionary times, the Government should be encouraging growth companies to raise long-term, permanent equity capital. Correcting this anomaly by allowing the costs of raising equity to be tax deductible would do exactly that. The cost is small: £60m per annum."

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Notes to editors:

1. The Quoted Companies Alliance's *Proposals for Taxation Reform: 2015 Budget* is available at: www.theqca.com/budget2015

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.