

Held on: Wednesday 27 September 2017

Venue: Grant Thornton, 30 Finsbury Square, London EC2P 2YU

**Present:**

Paul Fay	Crowe Clark Whitehill LLP	PF
Daniel Hawthorne	Dechert	DH
Vijay Thakrar	Deloitte LLP	VT
Peter Vertannes	KPMG LLP	PV
Tim Ward	Quoted Companies Alliance	TW
Callum Anderson (minutes)	Quoted Companies Alliance	CA

**In attendance:**

Wyndham North	HM Treasury	WN
Rachael Wheeler	HM Treasury	RW
David Blumenthal	Clyde & Co LLP	DB
Doug Tailby	Grant Thornton UK LLP	DT

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**1. WELCOME TO WYNDHAM NORTH AND RACHAEL WHEELER, HM TREASURY**

PF welcomed WN and RW to the meeting.

PF explained that he, TW, CA and Michael Bell had a productive meeting with the Financial Secretary to the Treasury, the Rt Hon Mel Stride MP, on 7 September 2017 to discuss elements of the QCA's proposals for taxation reform.

WN briefly gave an overview of what HM Treasury seeks from tax proposals. Valuable attributes included material economic benefit, reduction in distortions and an ability to stimulate economic growth. He added that the HM Treasury also gave significant consideration to both simplification aspects and the risk potential of tax avoidance when considering change to the UK tax system.

WN noted that parliamentary time constraints would limit the extent to which the government could bring forward radical and complex new proposals.

WN summarised the key tax policy areas that his enterprise and investment tax team were responsible for. This includes capital gain taxes, employee share schemes and venture capital trusts, as well as the Patient Capital Review. WN explained that responses to the recent consultation 'Financing growth in innovative firms' were currently being analysed with the government intending to formally respond at Autumn Budget 2017.

WN and the Expert Group exchanged views on the QCA's proposals to reform entrepreneurs' relief. The Expert Group emphasised one of the current flaws was that founding shareholders in small or

mid-size quoted companies can often have their shareholding in the company diluted by the introduction of external investors.

WN mentioned that the government-commissioned research on entrepreneurs' relief would be published by the end of 2017.

Regarding EIS and VCTs, WN noted that although they played an important role in early-stage investment of companies, there were incidents of exploitation to take advantage of the tax reliefs. He noted that, in the case of VCTs, they were not well focussed on investment strategies.

WN and the Expert Group exchanged views on the potential benefits of a bespoke binding ruling process. WN indicated that one major weakness in the proposal was the insufficient number of tax professionals able to work at HMRC to make the service viable. There was also a brief discussion regarding whether an advanced assurance service could inadvertently induce companies seeking assurance for all tax matters, creating an unsustainable workload for HMRC staff.

WN, RW and the Expert Group briefly discussed the merits of the QCA's proposal to introduce a tax relief for the costs of raising equity – as is permitted with debt financing. WN and RW suggested that doing this could be an expensive measure but explained that they would connect the QCA with HM Treasury's corporation tax team to discuss in more detail.

The Expert Group exchanged views with WN and RW on the general economic outlook for small and mid-size quoted companies. The Expert Group noted the need to reduce the general complexity of the UK tax system.

WN and RW left the meeting.

## 2. APOLOGIES

Apologies were received from Neil Armstrong, Alex Barnes, Michael Bell, Nick Burt, Sam Dames, Holly Edwards, Hannah Jones, Shofiq Miah, Neil Pamplin, Matthew Rowbotham and Ray Smith.

## 3. MINUTES OF LAST MEETING (13 June 2017)

The minutes were approved.

## 4. ISSUES FOR DISCUSSION

	ITEM	ACTION
a)	<b>Brexit</b>  TW explained that the QCA had maintained contact with key government departments such as the Department for Business, Energy and Industrial Strategy (BEIS), the Department for Exiting the European Union (DExEU) and HM Treasury, as well as the FCA. He added that the QCA was also	None to note.

	<p>contributing to the work of the International Regulatory Strategy Group (IRSG), which was undertaking a lot of work on the future of financial services in the UK after March 2019.</p> <p>TW noted that the QCA would be attending a workshop hosted by the European Commission in November 2017 to discuss how to improve SME access to public markets.</p>	
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## 5. COMMUNICATIONS AND FUTURE MEETINGS

	ITEM	ACTION
a)	<p><b>QCA Position Paper – Future of the UK market structure for quoted companies</b></p> <p>TW noted that the QCA had published a position paper outlining its vision the future of the UK market structure from the point of view of small and mid-size quoted companies so that UK capital markets are still able to generate economic growth after the UK has left the EU.</p> <p>He explained that the QCA would update the document in due course and invited Expert Group members to send in any comments or additional suggestions to enhance the position paper further.</p>	None to note.
b)	<p><b>Policy Update (August 2017)</b></p> <p>This was tabled for information only and was not discussed.</p>	None to note.
c)	<p><b>Guest invitations to future meetings</b></p> <p>The Expert Group suggested that an official from HM Treasury's corporation tax team could attend a future meeting to discuss the QCA's proposal to level the tax treatment between debt and equity.</p>	<b>CA</b> to invite guests to future meetings.

## 6. NEXT MEETING

Wednesday 29 November 2017, 9.00am – 10.30am (Venue: Crowe Clark Whitehill, St Brides House, 10 Salisbury Square, London, EC4Y 8EH)