



Boosting growth in quoted companies

Autumn Budget 2025 – Proposals for reform

Public markets are the best place for companies to access growth capital, operate transparently and distribute wealth. Small and mid-sized quoted companies represent 91% of the quoted company sector, employ 2.1 million people across the UK, and contribute over £25 billion in annual taxation.

In the interests of a healthy, thriving and resilient economy, public companies must be able to operate in an environment where their growth prospects and potential are fulfilled.

This paper puts forward several proposals that we believe should be included in the Autumn Budget on 26 November 2025. The UK's public markets are a critical engine of economic growth and are key to supporting the Government's Industrial Strategy (IS). Not only is financial services an IS-8 sector, public companies operate across the eight IS sectors and are spread throughout the UK's regions, supporting local jobs and employment. The reforms outlined below could be transformative for the UK's equity markets by increasing UK companies' confidence, access to finance, and talent while boosting investment and the UK's international competitiveness.

Key proposals for taxation reform

We recommend that the Government:

- 1. Review its decision to cut business relief in half for AIM and Aquis stocks, and as a minimum, commit to retaining the remaining 50% relief until at least 2035.**
- 2. Simplify and update the Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCTs) to ensure that their scale and scope are sufficient to reflect the growth company ecosystem through:**
 - Streamlining the processing and eligibility criteria;
 - Reconfiguring or removing the seven-year rule; and
 - Updating the qualifying criteria.
 - Raising the lifetime and annual investment limits for VCTs and EIS.
- 3. Simplify the ISA regime and create an ISA product aligned with UK companies.**
- 4. Commit to removing stamp duty on share trading for newly listed companies on the LSE Main Market and review its future removal for all Main Market companies to help boost investment into these businesses.**
- 5. Rectify distortions in the tax system by levelling the playing field between debt and equity financing by:**
 - Introducing a £1.5 million upper limit to target the relief appropriately to smaller companies;
 - Allowing the relief to be applicable to both IPO and secondary fundraisings;
 - Allowing the relief to the extent that the equity finance supports business activities;
 - Allowing all types of fundraising costs associated with raising equity to be deductible; and
 - Allowing the tax relief for the costs of raising equity to be available in the year these were incurred.
- 6. Review capital gains tax (CGT) reform and maintain the UK's attractiveness to high-growth companies by exempting gains made under employee share schemes from the CGT increase.**
- 7. Update the qualifying limits of the Enterprise Management Incentive (EMI) scheme by:**
 - Increasing the gross asset test from £30m to £50m;
 - Increasing the employee limit from 250 to 350; and
 - Facilitating the transition from EMI to Company Share Option Plans (CSOPs).
- 8. Modernise Share Incentive Plans (SIPs) and the Save As You Earn (SAYE) scheme in order to increase employee participation.**

1. Review reforms to business property relief (BPR)

Business relief is one of the most vital and cost-effective tax incentives offered by the UK Government. It channels billions of pounds into the UK's growth companies on AIM and Aquis so that they have the best chance of becoming the blue-chip stocks of tomorrow.

BPR is a credible tax incentive that helps to correct a market failure by encouraging investment into smaller businesses that would otherwise be directed at larger, more liquid companies or remain unproductive as cash savings. It supports hundreds of companies operating across different, innovative sectors that, in turn, support hundreds of thousands of jobs across the UK.

Proposal

As a minimum, the Government should confirm its commitment to maintaining business property relief at the level of 50% for AIM and Aquis stocks as announced in the Autumn 2024 Budget until at least 2035, while also reviewing its decision to cut the relief in half.

Explanation

Business relief has been fundamental in ensuring that smaller businesses do not face substantial barriers to capital raising, while also gaining access to a diverse range of investors – both institutional and retail. Our research found that, prior to October 2024, business relief accounted for almost **£6.5 billion** of institutional investment into AIM companies, amounting to about **£1 in every £10 invested**¹ in qualifying AIM stocks and, in total, is estimated to have diverted around **£10 billion** into growth businesses. As a result of this, it helps to:

- Support growth and employment throughout the UK – AIM companies operate across nearly 40 sectors and support a substantial number of jobs outside of London and across the Midlands, North East, North West, Scotland and Wales.
- Incentivise long-term, productive investment – it is a major driver of long-term investment, with investors typically holding between 7-10 years, making it one of the most patient sources of capital, supporting companies regardless of market downturns. Without business relief, the typical investor would likely concentrate their wealth in cash, bonds or property.
- Enhance liquidity – it helps to ensure a broad mix of institutional and retail investment, helping to maintain an active secondary market that also underpins primary capital raising.
- Boost valuations – which makes UK companies less vulnerable to opportunist takeovers.
- Halt market exits – the above demonstrates to listed companies and those considering an IPO the value of AIM as well as Aquis, preventing further losses and potentially boosting admissions.

Data and costings

However, since the Government's announcement that BPR will be cut in half for shares traded on AIM and Aquis from 6 April 2026, we estimate there have been just over £1 billion of investment outflows from AIM IHT funds². These outflows will have a significant impact on the likely tax revenue that changes to IHT BPR will raise. For example, some estimates place this figure at a net loss of between a £1bn to £2bn³ due to the levels of capital loss, investment outflows, lower employment

¹ It is expected that this figure is much higher as this does not include direct investments into companies, such as those made by individuals or founders, where business relief was a factor in the investment decision.

² MiCAP data. September 2025.

³ Peel Hunt. *Aiming for a future*. (2024).

activity, and reductions in capital gains⁴. This is a long way off the £185mn cited by HMRC when estimating the cost of IHT BPR on AIM and Aquis stocks to the Exchequer.

[Please click here to see our full paper on the importance of business relief.](#)

⁴ Although slightly more favourable than Peel Hunt's assessment, RSM UK estimates that the Treasury may raise only around a third of the figure calculated by HMRC. Source: *Abolition of AIM relief unlikely to raise many funds*. (date accessed: 07/10/2025)

2. Simplify and update EIS and VCTs

EIS and VCTs are two vital risk capital schemes that channel investment into both public and private companies whose scale means they might not otherwise attract it. The schemes are critical to maintaining support for early-stage companies, allowing these businesses to grow and plan for the future. The schemes also provide access for ordinary retail investors rather than simply the large investment houses and high-net-worth individuals, thereby spreading the wealth derived from the growth of these companies. However, unless the annual investment limits for VCTs and EIS are raised, this vital source of investment for growth companies is on course to be reduced to half its value from a decade ago due to the limits not keeping pace with inflation.

Proposal

Conduct a review of the EIS and VCT schemes to ensure that their scale and scope are sufficient and that they reflect the growth company ecosystem. Areas for the review should include:

- Streamlining the processing and eligibility criteria – implementing a time limit on HMRC for the processing of applications, making the system more transparent, amending the VCT and EIS UK permanent establishment requirement to align with the EMI approach, and allowing greater flexibility and access to the schemes.
- Reconfiguring or removing the seven-year rule – establishing alternative metrics to the seven-year rule in order to help determine a company's maturity more accurately, alongside removing the rule around acquisitions.
- Updating the qualifying criteria – updating and increasing the gross asset and full-time equivalent employee figures to better reflect the current nature of growth companies. A tapered application of the relief should also be available for companies who exceed the qualifying criteria to minimise the impact.
- Changes to accounting standards – assess how the incoming FRS102 accounting changes will impact EIS growth limits and the gross assets test.

In addition, the QCA, along with over 100 business leaders signed the VCTA's open letter to the Chancellor calling for the following measures to be implemented by the Government:

- Raising the lifetime and annual investment limits for Venture Capital Trusts and the Enterprise Investment Scheme including:
 - Increasing the lifetime company investment limit to a minimum of £30 million (£40 million for Knowledge Intensive Companies),
 - Increasing the annual company investment limit to at least £15 million (£25 million for Knowledge Intensive Companies), and
 - A commitment to review these limits at least every three years, with findings on them published to Parliament⁵.

Explanation

Whilst they provide vital capital for smaller companies, the schemes have significant limitations both in terms of their scope and scale that limit their effectiveness.

⁵ VCTA. *Growth Beyond Limits: Open letter to the Chancellor*. (2025). Source: <https://docs.google.com/document/d/1KxxYfS8iSxwemQWyuITwLJLPU1Ptgbu7/edit>

- Eligibility criteria – The complexity of the investment rules that provide HMRC with discretionary powers to be applied on a case-by-case basis has resulted in extremely lengthy delays in HMRC’s processing of investment applications. This causes hold-ups and means unnecessary uncertainty and frustration for businesses at a critical point when they are trying to invest and expand. In addition, the current UK permanent establishment requirements create significant issues for start-ups and scale-ups, as well as their advisers and HMRC, when accessing EIS/VCT funding.
- Seven-year rule – this rule is unnecessarily restrictive given the time it takes some companies to bring some innovative ideas to fruition and is not an appropriate measure of commercial maturity. Furthermore, the rules around acquisitions are prohibitive and can result in issues for companies in terms of their ability to access finance.
- Qualifying criteria – it has been over a decade since the figures for gross assets and number of fulltime equivalent employees was updated. Whilst it is important that the schemes are appropriately targeted at higher risk, higher growth companies, these metrics no longer reflect the developments within, and the maturing of, the growth company ecosystem, meaning that many companies are currently facing a financing cliff-edge.
- The existing lifetime and annual investment limits for VCTs and EIS - these have remained the same for nearly a decade. Inflation has significantly decreased the real value of these limits, thereby risking undermining the impact of the schemes in providing much-needed investment for smaller high growth companies. If these limits remain as they are, coupled with inflation continuing as currently predicted, the vital investment that VCTs provide will shortly be reduced to just half its 2016 value in real terms.

3. Simplify the ISA regime and create a domestic-focused ISA product

The Government should introduce several measures to reform Individual Savings Accounts (ISAs) in order to make them more effective, appealing to investors and supportive of the UK economy. Firstly, ISAs would benefit greatly from simplification as it would not only make them more accessible to a broader range of individuals, including those with lower levels of financial literacy, but would also have the potential knock-on effect of increasing investment. Secondly, the Government should create a UK-focused ISA investment vehicle. This would echo the Chancellor's call to boost investment in UK shares and the Government's broader support of a retail investment campaign.

Proposal

The Government should seek to reform ISAs in the following ways:

- a) Introduce a unitary ISA product, allowing Cash ISAs to be combined with Stocks & Shares ISAs; and
- b) Introduce a UK-favoured ISA product that offers UK tax protected investment into UK public companies.

Explanation

a) Introduce a unitary ISA product

The introduction of a unitary ISA product, allowing Cash ISAs to be combined with Stocks & Shares ISAs, would considerably simplify the regime. Combining these two features of current ISA products would not only reduce complexity through having various versions of ISAs, but it would also make it much easier for people to engage in investing.

However, in order for this to work, platforms and services offering the unitary ISA must ensure appropriate communications are provided to individuals so that they understand the different types of products on offer. This could form part of the industry-led retail investment campaign announced as part of the Government's Leeds reforms.

b) Back British Businesses through a UK favoured ISA product

Given that the tax relief for investments held in Stocks and Shares ISAs amounts to an estimated £5.6bn annually⁶, there are sound public policy grounds for steering a portion of this domestic, tax-protected investment towards UK public companies. Doing so would restore the social contract between generous tax breaks and backing British businesses that was first introduced with Personal Equity Plans in 1986 which set aside a minimum of 50% to be held in UK assets.

As of April 2026, the Government should introduce a 50% minimal threshold so that for every pound invested in shares in overseas companies via the domestic weighted ISA wrapper, at least one pound is invested in UK stocks too.

This measure would help to:

- Reconnect UK investors with the companies operating locally to them;

⁶ AJ Bell. *Tax Relief enjoyed by Cash ISA savers rises from £70 million to £2.1 billion in two years.* (date visited: 07/10/2025). Source: <https://www.ajbell.co.uk/group/news/tax-relief-enjoyed-cash-isa-savers-rises-ps70-million-ps21-billion-two-years#:~:text=AJ%20Bell%20press%20comment%20%E2%80%93%2019,tax%20shelters%20much%20more%20valuable>

- Encourage a share-owning culture that benefits the UK economy;
- Replicate nationality-based conditions imposed in several other markets; and
- Enable savers to maintain a broad choice over where their investment is deployed.

Moreover, the concept of a UK-weighted ISA would likely have broad-based appeal among the investing public. Recent research indicates that 71% of domestic retail investors support the idea that it is important to invest in UK businesses in order to support the UK economy⁷.

⁷ Interestingly, the same report finds that younger investors are more likely to favour investing in their home market than older cohorts. Source: Investment Association. *Going Long, Going Local: Retail Investors on Private Markets and UK Investment*. (2025).

4. Review removing stamp duty for share trading for Main Market companies

The UK currently imposes a quadruple taxation on equities: dividend tax, capital gains tax, income tax and a transaction tax via stamp duty. This puts the UK at a competitive disadvantage; the US has no such charge, and the UK's stamp duty charge of 0.5% is the second highest in the world after Ireland, thus having a material impact on trading on UK equity markets.

Proposal

The Government should commit to exempting newly listed companies on the LSE Main Market⁸ from stamp duty as a first step towards a broader review of its gradual removal to help boost investment into listed companies.

Explanation

Removing stamp duty for share trading for newly listed companies with a view to its eventual removal for all listed companies would:

- Come at no cost to the Treasury as forgoing tax receipts for stamp duty for newly listed companies is revenue the Government has not yet received while it would provide a strong incentive to list in London.

Beyond this, the proposal relating to encouraging more IPOs such as a tax holiday for IPO costs conditional on a defined length of UK listing is one we support for the same reasons. Estimates put the IPO tax-related costs for smaller businesses at around £5mn when raising £50mn-£100mn⁹.

- Increase the UK's international competitiveness – the US and Germany currently have no stamp tax on shares, in France and Italy the rate is 0.3%, and in Spain the rate is 0.2% (both France and Spain offer an exemption for companies with a market capitalisation under €1 billion). This would help to decrease the competitive disadvantage the UK has over other jurisdictions and direct capital into UK listed companies.

Astra Zeneca's recent decision to directly list its shares in New York is estimated to result in a £200mn loss in stamp duty and signals why the UK must act urgently to ensure it remains a competitive market for companies to list¹⁰. Indeed, when London is used as a secondary listing venue - via American Depositary Receipts (ADRs) and other depositary interest arrangements – it is stamp duty-exempt and as such, creates a disincentive for companies to IPO or maintain a UK primary listing. As a result, the Treasury loses revenue in any case.

- Increasing demand in UK shares and encourage retail investment – the current 0.5% charge on all transactions adds up and is a barrier to investors investing in equity who can opt for alternative investments, such as a bond or a unit trust. Removing the charge would encourage more retail investors to invest in equities, particularly those that are active traders. Moreover, stamp duty

⁸ Financial Times. *UK set to exempt newly-listed company shares from stamp duty*. Source: (date visited: 07/10/2025) <https://www.ft.com/content/3204e0a0-212f-482f-b9e9-24dc2899b57f>

⁹ Financial Times. *Rachel Reeves steps up efforts to secure more company listings for the UK*. Source: (date visited: 09/10/2025) <https://www.ft.com/content/ba0f5899-fb80-4ec4-84f0-a53d19102118>

¹⁰ Financial Times. *Astra Zeneca's US listing to leave £200mn UK stamp duty hole*. Source: (date visited: 07/10/2025) <https://www.ft.com/content/43360b38-a4c2-4aeb-84e0-0fb2e43b4d17>

disproportionately burdens retail investors compared to more sophisticated traders who engage in transactions such as equity swaps that are stamp duty exempt. Its removal would be a boost to retail investors in line with the Chancellor's ambition to encourage greater retail participation in UK share ownership.

- As part of a review of stamp duty on share trades, the Government should consult industry to ascertain the potential costs of its removal, compared to the benefits that its removal would have in terms of: stimulating investment in UK-listed companies; an increase in market activity; and the concomitant impact this will have in boosting UK tax receipts including capital gains tax, inheritance tax and corporate tax. Recent research states that a permanent increase in GDP of between 0.2% and 0.7% could be expected from stamp duty's removal, while the government's annual tax-take could increase by £2.1bn–£6.8bn due to an increase in GDP (minus the loss in tax take from the levy's removal)¹¹.

Instead of removing stamp duty on share trades for all listed companies in one go, the review could consider its graduated removal based on company size. For example, its removal for all companies outside the FTSE 100, followed by a second phase removal for all FTSE 100 companies. This would avoid the Treasury incurring an immediate loss of all tax revenue received from the levy.

For example, in 2024, stamp duty raised £4bn in tax revenue for the Treasury. Estimates put share trading outside the FTSE 100 at 15%¹². Were the Treasury to remove stamp duty on share trades outside the FTSE 100 as a first step, this would come at a cost of £600mn to the Treasury.

¹¹ Oxera. *Stamp duty on shares: analysis of its economic impact and the benefits of its abolition*. (2024). p.2.

¹² Peel Hunt. *Stamp out Stamp Duty*. (2023).

5. Level the playing field between debt and equity financing

A current distortion exists in the tax system whereby there is differential tax treatment between debt and equity financing. This means that companies are incentivised to take on debt rather than to raise equity capital for their business. For smaller companies in particular, the costs of raising equity represents a disproportionately large percentage of funds being raised and are, therefore, a major disincentive to seeking a listing on a public equity market.

It has long been accepted that there is a need to address this preferential treatment of debt over equity as a source of finance. The EU, for instance, tabled a proposal for a debt-equity bias reduction allowance (DEBRA) in 2022, which introduces both a tax allowance on increases in equity and a limit on the tax deductibility of interest payments. In January 2024, the European Parliament adopted its (non-binding) resolution, with conversations ongoing to formally adopt the Directive.

Proposal

The UK government should seek to rectify distortions in the tax system by levelling the playing field between debt and equity financing. To do this, the UK should provide a tax relief for the costs of raising equity up to a threshold level in order to appropriately target the relief at smaller companies. This could include the following elements:

1. Introduce a £1.5 million upper limit on the costs incurred by a company for raising equity finance;
2. Allow the relief to be applicable to both IPO and secondary fundraisings;
3. Allow the relief to the extent that the equity finance supports business activities;
4. Allow all types of fundraising costs associated with raising equity to be deductible; and
5. Allow tax relief for the costs of raising equity to be available in the year these were incurred.

Explanation

Many countries that levy taxes on company profits treat debt favourably over equity, typically because they allow interest payments to be deducted from tax bills. This incentivises companies to borrow instead of funding themselves through equity, and is a disincentive to seeking a listing on a public equity market. It puts the UK at a competitive disadvantage compared to many other European regimes which provide some form of corporation tax relief for raising equity finance.

The OECD, which measures the debt-to-equity ratio of financial corporations across different nations, has shown that the UK (as of 2022) has a debt-to-equity ratio of 5.5¹³. This means that outstanding debt is 5.5 times higher than the market value of the outstanding equity, and is higher than other comparable jurisdictions such as France, Germany, Spain, Netherlands, Sweden and the US.

Countries with higher levels of debt are typically associated with slower levels of growth in addition to increased levels of financial risks and macroeconomic instability, whereas equity financing generally correlates to a positive growth effect.

The UK's reliance on debt finance is not a long-term solution. Making equity issuance costs deductible for corporation tax purposes would promote greater long-term stability and incentivise the use of the UK's capital markets.

¹³ OECD, 2022, Financial corporations debt to equity ratio

6. Review CGT reform and maintain the UK's attractiveness to high-growth companies by exempting gains made under employee share schemes from any CGT increase

Reforms to CGT announced in the Autumn Budget 2024 should be reviewed so that the implications of this change can be fully assessed. We consider that raising both the basic rate and higher rate to 18% and 24% respectively will reduce people's appetite to invest, result in individuals moving abroad, harm entrepreneurship and growth within the UK, and ultimately, could raise less tax. For the growth of the economy, it is essential that business leaders are willing and able to invest in growing their business and hiring staff.

Employee share schemes help smaller UK companies compete for talent against large international employers. The increase in CGT could materially decrease the attractiveness of employee share ownership and seriously weaken the growth company ecosystem.

Proposal

1. Gains made by employees on the sale of shares in their company or company's group should be exempt from any increase in the rate of CGT and/or benefit from a higher annual CGT exemption.
2. Business Asset Disposal Relief (BADR) should be preserved for sales of shares acquired by employees through EMI options.

Explanation

Greater levels of employee share ownership can produce benefits for both employees and companies, including improved employee retention and motivation, helping to attract new talent, relieving pressure on cash flows, better company culture and increased productivity.

Coupled with the currently very low levels of annual capital gains tax exemption, increasing the rate of CGT without an exemption for employee share schemes will significantly reduce the number of employees prepared to make an investment in their employer, and use of the statutory tax-advantaged schemes EMI, CSOP, SIP and SAYE will likely decline or cease, meaning that staff feel less connected to their workplace and less invested in their company's success.

EMI, introduced by the Labour government in 2000, has been instrumental in supporting the UK start-up ecosystem. Gains made on the sale of shares acquired through EMI options currently benefit from BADR, which helps high-growth companies recruit and retain employees, particularly in the technology sector.

We have set out below some ideas for further improving the way in which EMI could help the UK's start-ups and scale-ups, facilitating the transition from EMI to CSOPs and for modernising the all-employee SIP and SAYE schemes.

7. Update the EMI qualifying limits

The Enterprise Management Incentive (EMI) scheme is a crucial scheme for high-growth start-ups and scale-ups that helps them to recruit and retain employees. Smaller companies often grant EMI options as they cannot afford to pay the levels of salary and bonus offered by larger companies. EMI is popular with employees, providing significant tax incentives in return for effectively making an investment in an early-stage employer. However, there are many high growth companies that are no longer eligible for EMI, for example due to employee numbers exceeding the 250 limit or a fundraising that causes their gross assets to exceed £30 million. This means that the cost of recruiting or retaining employees rises exponentially and so becomes dependent on their ability to obtain funding or generate sufficient cash flow to pay larger salaries (which can compromise their product by diverting R&D spend).

Proposal

The EMI scheme should be updated to increase its qualifying limits. The gross assets test was last updated in 2002, meaning it is outdated and no longer fit for purpose. The employee number criteria was set in 2008 in relation to the EU requirement to satisfy state aid rules, and now the UK is no longer restricted by the EU it should set its own definition. Therefore, we believe the qualifying limits should be updated as follows:

- The gross assets test should be increased from £30 million to £50 million;
- The employee number should be increased from 250 to 350; and
- The rule causing EMI options held by an employee to be automatically disqualified when excessive CSOP options are granted should be modified.

In addition to this, the company's employee numbers and gross assets can change regularly. In order to simplify the scheme, a fixed period of qualification should be implemented whereby a company qualifies for, say, a 12-month period before being assessed again.

Explanation

For smaller companies that are eligible to use the scheme, EMI plays a significant role in helping these companies make new appointments, retain current employees, and ultimately assist with their growth and development. Continued access to these schemes remains crucial for the UK's growth company ecosystem (including start-ups and scale-ups), which helps to fuel the UK economy.

There have been substantial developments in the nature of growth companies since the criteria were last updated, and these limitations are inhibiting companies who outgrow the current thresholds yet remain young in their growth cycle. Many small-cap companies who currently exceed the limits face significant barriers to the retention and recruitment of key employees without access to EMI. This restricts their ability to grow and create positive outcomes for wider society and the economy.

There is also a longstanding argument that once a company outgrows EMI, the costs of designing, implementing and maintaining an SAYE, SIP or CSOP plan would be difficult to justify for these companies. For instance, the requirements of these three schemes are much less flexible than EMI scheme and the implementation of a SIP or SAYE will likely require companies to employ an administrator/savings provider.

Even where companies are prepared to take on the additional cost and administrative burden of operating a CSOP, one particular barrier to transition from EMI options to CSOP options is the fact that any CSOP options granted to employees with subsisting (unexercised) EMI options will count towards the individual EMI limit (currently £250,000) and should this be exceeded, the CSOP grant

will count as a disqualifying event of the pre-existing (and often more valuable) EMI options. This rule is disproportionate, and a fairer approach would be to treat as unapproved the excessive part of the CSOP option.

8. Modernise the SIP and SAYE schemes

The all-employee SIP and SAYE schemes help companies recruit and retain staff, as well as helping to encourage a savings attitude and improve financial awareness in companies where they are used. However, there are issues that currently exist in allowing them to fulfil their full potential. For instance, there are administrative burdens and costs, publicity around them is limited and they are fairly restrictive in terms of those that participate in them. We raised these concerns in HM Treasury's consultation on the non-discretionary tax-advantaged share schemes, but no update has been provided.

Proposal

In order to increase participation in both schemes, we propose that SIP/SAYE plans can be modernised by:

1. Reducing the holding period for full tax-advantaged vesting from five years to three years for SIPs.
2. Allowing greater flexibility in determining what constitutes a "good leaver" for SAYE.
3. Permit flexibility for the use of free shares for different categories of employees, such as new joiners and lower paid employees (rather than all employees having to be offered free shares at the same time).
4. Enabling company contributions and auto-enrolment for SAYE.
5. Revisiting the definition of "employee" to include more workers in employee share schemes (both for tax and Companies Act/Financial Services purposes).
6. Removing the company law condition requiring net assets and/or distributable reserves for PLCs before giving financial assistance in connection with employees' share schemes.
7. Removing the loan to participators (s455) tax liability for companies when lending in connection with employee share schemes and clarification that a gift by the company is not a distribution.

In addition to the above, the Government and other non-governmental groups should be encouraged to raise awareness of the benefits and SAYE and SIP through greater publicity and communication campaigns.

Explanation

There are multiple barriers that exist that prevent smaller companies from using the SAYE scheme and SIPs. For instance:

- There are high costs, administrative and time burdens associated with their implementation, particularly for smaller companies which will incur a disproportionate cost per employee.
- There are limitations to rolling the schemes out to employees in overseas jurisdictions.
- There are issues for companies with regard to having sufficient distributable reserves to implement.
- Low levels of liquidity and poor share price performance can inhibit the take up of the plans.
- For SIPs, the requirement for the length of time for employment reduces participation.

We believe, therefore, that the above proposals would produce benefits to both employees and companies and increase participation in the schemes.

[Further details are included in our response to HMT's consultation.](#)