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# CALL FOR EVIDENCE: TAX SUPPORT FOR ENTREPRENEURS

## Response by Association of Taxation Technicians

### 1 Introduction

- 1.1 The Association of Taxation Technicians (ATT) is pleased to have the opportunity to respond to the HM Treasury's Call for Evidence on 'Tax Support for Entrepreneurs' ('the Call for Evidence') issued on 4 December 2025<sup>1</sup>.
- 1.2 The primary charitable objective of the ATT is to promote the education and study of tax administration and practice. We place a strong emphasis on the practicalities of the tax system. Our work in this area draws heavily on the experience of our members who assist thousands of businesses and individuals to comply with their taxation obligations.
- 1.3 The ATT has submitted its response to the Call for Evidence using the online form<sup>2</sup>. For reference, the content of our response is reproduced below.
- 1.4 Please note that we have only responded to questions relevant to our remit as a professional body.
- 1.5 We would be pleased to discuss any aspect of this submission further. Relevant contact details can be found in Section 7.

### 2 About you

- 2.1 **What is your name?**
- 2.2 Association of Taxation Technicians
- 2.3 **What is your email address?**
- 2.4 [atttechnical@att.org.uk](mailto:atttechnical@att.org.uk)
- 2.5 **Which category in the following list best describes you?**
- 2.6 Other - A professional body

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<sup>1</sup> <https://www.gov.uk/government/calls-for-evidence/tax-support-for-entrepreneurs-call-for-evidence/tax-support-for-entrepreneurs-call-for-evidence>

<sup>2</sup> <https://www.smartsurvey.co.uk/s/taxsupportforentrepreneurs/>

The Association is a charity and the leading professional body for those providing UK tax compliance services. Our primary charitable objective is to promote education and the study of tax administration and practice. One of our key aims is to provide an appropriate qualification for individuals who undertake tax compliance work. Drawing on our members' practical experience and knowledge, we contribute to consultations on the development of the UK tax system and seek to ensure that, for the general public, it is workable and as fair as possible.

The Association is UK based.

This response is informed by the experiences of our members. We contacted members by email to request their views, and the feedback received has been reflected in this response.

## 2.7 **Would you like your response to be confidential?**

2.8 No

## 3 **VCT/EIS schemes**

### 3.1 **Question 9: Does the design of the VCT scheme, and investment decisions of VCTs using it, align with the original objectives of the scheme to support investment in the most high-risk, high-growth scaling companies?**

3.2 The nature of the VCT scheme is such that it facilitates investment in high risk companies. This is because the financial risk is spread across several unquoted companies as opposed to directly investing in individual companies.

The VCT scheme supports investment in high risk, high growth scaling companies by offering Income Tax relief on the individual investment, an Income Tax exemption on dividends from the VCT and a Capital Gains Tax exemption on the sale of the VCT shares. Investors will take account of this tax treatment when forming a view on the risk profile of a particular VCT investment.

### 3.3 **Question 10: What are founders' experiences with the fees charged by VCTs/EIS funds to investor companies? What are founders' experiences of the investment terms offered by VCTs/EIS funds to investee companies?**

3.4 Whilst we are not in a position to comment extensively in this area, fees charged by VCTs and EIS funds are likely to reduce the capital available for investment. Greater transparency over the level of fees charged may help founders make more informed decisions.

The deductibility of fees for Corporation Tax purposes is an area where additional guidance to reduce ambiguity would be helpful.

### 3.5 **Question 11: For start-ups and scale-ups, how does early stage VCT and EIS investment impact the ability to secure funding from other sources? How do the new scheme limits support that transition?**

3.6 The increase in scheme limits for VCT and EIS investment from April 2026 will be useful for start-ups and scale-ups as they will be able to access higher levels of funding than previously from investors, without affecting the eligibility of the investor securing tax relief on the investment.

The due diligence carried out on VCT and EIS investments may give greater confidence for other investors (including those who do not qualify for relief under the VCT and EIS schemes) to provide funding at later stages.

**3.7 Question 12: How could these schemes be enhanced in future to better support founders, scaling companies, and the broader investment pipeline for the UK's high-growth companies?**

- 3.8 The increased scheme limits from April 2026 will mean that the ability to secure tax relief for VCT and EIS investment will be expanded to a wider range through increases in capital limits, asset thresholds and employee numbers. However, these reliefs remain an 'all or nothing' relief, so if a company goes over the threshold for only one of the conditions, even by a small amount, the investment will no longer qualify for relief.

An alternative approach to avoid this risk would allow for a minimum number of conditions to be met, as is the case for determining a micro<sup>3</sup>, small<sup>4</sup> or medium<sup>5</sup> sized entity for company accounts purposes.

## 4 EMI schemes

**4.1 Question 13: Considering the new scheme limits, how effective is the current EMI scheme for founders/scaling companies in accessing the talent they need to grow and develop?**

- 4.2 The EMI scheme enables companies to incentivise eligible employees by offering the ability to participate in the growth in value of the company, assisting with both the recruitment and retention of key staff needed for the company to grow and develop. Whilst there are tax advantages for the employee (in terms of the gain on exercise of the EMI option being charged to Capital Gains Tax rather than Income Tax), it can also allow companies to offer a valued incentive at a time when there may not be sufficient working capital to pay for cash incentives such as bonuses.

In addition, an EMI scheme could help goal congruence between a company and its employees if they buy in to the business.

The ability to offer EMI schemes helps scaling companies to better compete with more established companies when it comes to attracting talent. It is attractive for the company as there is a direct incentive for the employee to support the growth of the business, through the employee benefiting financially from the increase in value of the shares they have options to purchase.

The new thresholds from April 2026 will allow EMI to further support the growth and development of companies in the UK, as companies can still grow in terms of size and headcount without losing their EMI status. The extension of the period in which an EMI option can be exercised from 10 years to 15 years will enable the potential for additional growth opportunities, as well as not forcing employees to exercise options earlier than they may otherwise in order to keep the tax advantages of EMI shares.

**4.3 Question 14: How could EMI and the wider share scheme offer be improved to better support founders/scaling companies?**

- 4.4 As noted above re VCT and EIS investments, the EMI criteria could be expanded so that a minimum number of conditions applies rather than requiring all conditions to be met for a company to qualify. This would reduce the 'cliff edge' that might otherwise apply where a company is no longer eligible due to being marginally above the threshold for one of the tests. We would also recommend that the government has a policy or some form of mechanism to periodically review the thresholds and qualifying criteria in future years.

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<sup>3</sup> [Section 384A Companies Act 2006](#)

<sup>4</sup> [Section 382 Companies Act 2006](#)

<sup>5</sup> [Section 465 Companies Act 2006](#)

## 5 Other ways to support entrepreneurship

### 5.1 Question 15: In what additional ways could the UK's tax system strengthen the investment pipeline, and further encourage an entrepreneurial, risk-taking environment in the UK?

5.2 In some cases, there may be a lack of awareness of the Seed Enterprise Investment Scheme (SEIS), EIS and VCT amongst potential investors. Whilst many high net worth individuals or “angel investors” will wish to use these schemes, it may be that taxpayers who may be open to investing in a SEIS, EIS or VCT scheme are unaware of the potential opportunities to do so whilst securing tax relief. Publicising the schemes and tax incentives, making clear that they are ‘government approved’, might help improve understanding at a time when there is a high level of misinformation about tax reliefs online and on social media.

Another possibility would be to consider introducing a new ‘small company’ ISA, separate from other ISA investments with either a separate cap or no cap at all. The level of awareness and understanding of how the ISA system works amongst the general public is perhaps higher than SEIS, EIS and VCT, so a new small company ISA might broaden the range of potential investors in start-ups and scaling companies.

More broadly, the UK tax system should also consider how it could better support smaller businesses who start as sole traders or micro businesses. For those businesses, there can be perceived barriers when it comes to the risk of recruiting staff and the challenges of growing sufficiently far beyond the VAT threshold to make it worthwhile. Many tax reliefs (such as Research and Development tax relief and the various investment reliefs discussed in the Call for Evidence) are only available to companies, a structure that will not be appropriate for many micro businesses.

### 5.3 Question 16: How can tax policy better support founders, avoiding abrupt transitions or cliff edges, which risk unintended consequences and hindering growth?

5.4 As noted at 3.8, instead of requiring all conditions to be met to qualify for a tax efficient share scheme, consideration should be given to requiring a minimum number of conditions, so that a company failing to meet one of the conditions would not necessarily result in the loss of its qualifying status.

An alternative could be to offer a period of grace, where the first year of a company exceeding the thresholds does not result in the loss of qualifying status. This would follow a similar principle to the Corporation Tax quarterly instalment payment rules<sup>6</sup>, where a company is not treated as a large company for the first twelve months of meeting the criteria unless the taxable profits exceed £10 million.

Although not directly referred to in the Call for Evidence, we would highlight the need for the government to consider employment status and its impact on the growth of businesses in the UK. There is currently a lack of a statutory classification between contractors, workers and employees and this causes additional administrative burdens for businesses using different forms of labour during key growth stages. By introducing a statutory classification, businesses would have better certainty over the treatment of all those who carry out work for them, which would mean that they could have confidence that decisions taken will not result in unanticipated liabilities arising at a later date due to a lack of clarity over whether an individual should be treated as a contractor, worker or employee.

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<sup>6</sup> [Regulation 3 The Corporation Tax \(Instalment Payments\) Regulations 1998](#)

## 6 How the tax system supports reinvestment

### 6.1 Question 17: What are the main factors that influence whether entrepreneurs reinvest in other start-ups or scale-ups after a successful business exit, and to what extent is tax an appropriate lever for encouraging this?

- 6.2 Investors are likely to consider several factors before making an investment. This will include their personal circumstances, the available opportunities to reinvest and their priorities for the period of investment. Those priorities may be determined by the proximity of retirement, which may impact on the investor's risk appetite and the desired financial return from subsequent investment.

The likely tax treatment will be considered by investors before making any reinvestments, taking account of advice from their professional advisers, but other factors are likely to be of greater prevalence. That said, ensuring simplification of the tax system would help remove potential barriers that the tax system might create. For example, the process of securing clearance and approval of EIS investment can be quite burdensome and consideration could be given to making claims for investor tax relief more straightforward.

### 6.3 Question 18: Is tax an appropriate lever to incentivise reinvestment? If so, how can the UK tax system encourage stronger reinvestment activity, including through removing any existing barriers that might disincentivise this?

- 6.4 Tax remains an important consideration that investors will take account of in discussions with their professional advisers about a proposed reinvestment. The tax system has a role to play in encouraging reinvestment, whether that is clarity of any tax reliefs available on the reinvestment itself or certainty over the likely treatment on any subsequent exit.

That said, investors have to be in a position where they can afford to reinvest the sale proceeds somewhere that is likely to be moderate-high risk. Tax incentives will only persuade them to reinvest if they are in a position to do so.

### 6.5 Question 19: To what extent does Business Asset Disposal Relief (BADR) influence decision-making when considering the sale of a business, compared to other factors e.g. market conditions or personal circumstances?

- 6.6 It is likely that the availability of BADR will be a consideration when looking to sell a business, although investors who have invested in multiple businesses since BADR (then Entrepreneurs' Relief) was introduced in 2008 might have already utilised their lifetime limit. Where BADR is available, it is unlikely to determine whether an investor makes a decision to sell their business in the first place.

Its availability is more likely to influence when a sale might take place. For instance, if an investor (after taking professional advice) believes there may be a change to the BADR rules, this may have accelerated the timing of a decision to sell to ensure that the investor has clarity over the tax treatment.

Another issue to consider is whether BADR plays any role in influencing people to invest in a business in the first place (as opposed to deciding when or if to sell). This question is directly relevant to what the policy purpose of BADR is – is this intended to drive entrepreneurial investment, or reward those who have done so when they come to sell? It may be that any incentivisation has been diluted by recent increases in the BADR rate (see below).

6.7 **Question 20: Do you consider BADR to be well-targeted at supporting entrepreneurial activity, or are there ways that it could be changed, or a better alternative?**

6.8 As noted above, BADR is likely to impact on the timing rather than a decision to dispose of a business. Whilst we cannot comment on the merits of tax rates being charged, changes to the Capital Gains Tax rate for BADR gains and the reduction in lifetime gains since 2008 qualifying for BADR are likely to reduce its relevance in terms of the decision making of whether an investor chooses to proceed with a particular investment.

7 **Contact details**

7.1 We would be pleased to join in any discussion relating to this Call for Evidence. Should you wish to discuss any aspect of this response, please contact us at [atttechnical@att.org.uk](mailto:atttechnical@att.org.uk).

## The Association of Taxation Technicians

8 **Note**

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Our members are qualified by examination and practical experience. They commit to the highest standards of professional conduct and ensure that their tax knowledge is constantly kept up to date. Members may be found in private practice, commerce and industry, government and academia.

The Association has more than 10,000 members and Fellows together with over 7,000 students. Members and Fellows use the practising title of 'Taxation Technician' or 'Taxation Technician (Fellow)' and the designatory letters 'ATT' and 'ATT (Fellow)' respectively.