

BUSINESS MATTERS UK

5 ways the new government will help innovative companies in 2020

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After their landslide victory, how will the new Conservative government help innovative companies in 2020?

Enhancing R&D tax relief

The Government is planning to make the R&D Expenditure Credit (RDEC) more generous by raising the tax credit rate to 13%, which will benefit large companies and companies that make claims for subsidised R&D expenditure. In addition, they would change the scheme to include cloud computing and data costs.

New work permits and visas

In the Queen's speech, the Government reaffirmed their commitment to an Australian-style points-based system which should make it easier to recruit skilled labour from outside the UK.

There are also plans to implement a [fast track entry scheme for those who are leaders in their fields](#), in the hope of attracting elite researchers and specialists in science, engineering and technology. Although details of both schemes are yet to be released, the goal is to have the fast track entry scheme set-up by the end of 2019.

Continued support of entrepreneurial reliefs

The Seed Enterprise Investment Scheme (SEIS) and EIS will continue to be supported. These schemes allow for tax efficient investment in small and early stage start-up businesses, and have been a boon to small innovative companies looking to raise finance.

According to their manifesto, the Government is also planning a "review and reform of Entrepreneurs' relief", which is intended to incentivise people to set-up and grow companies in the UK through a reduced rate of Capital Gains Tax (CGT). This means entrepreneurs only pay a 10% tax rate on disposal of qualifying shares, compared to the standard (18%) and higher (28%) CGT rates.

There have been recent criticisms, including from former executive chair of HMRC Sir Edward Troup, that Entrepreneurs' relief is not supporting genuine entrepreneurs—rather it is helping already wealthy investors reduce their tax bills.

However, there was no mention of this review in the Queen's speech held on 19 December 2019 and in the manifesto there were no concrete plans for how Entrepreneurs' relief will be modified, but it could be one tax incentive supporting innovative businesses that is scrapped altogether.

New innovation funds

There will also be a boost to life sciences through the Ayrton Fund, which is £1b of aid to develop and test new technology to tackle climate change in developing countries. The details regarding how scientists will be able to access this fund are yet to be released.

The Queen's speech also announced that there would be a new agency for "high-risk, high-payoff research", but as of yet there is no information regarding the details of this agency or how it will support innovative businesses.

Tax changes

The Conservative manifesto also promises that it will not raise the rates of income tax, national insurance or VAT. However, the corporation tax rate will remain at 19% instead of falling to 17%, as had been promised by previous Conservative governments.

The new Government has not yet scheduled its first Budget but it is expected to take place in February. This will provide further details regarding the Government's plans.

Although all of these measures will be a boost to innovative businesses, there remains an elephant in the room: Brexit, which is likely to have the most impact of all.

Several of the measures announced, specifically changes to work permits and the new innovation funds, are designed to mitigate the impact of Brexit.

The new Government's large majority should allow it to push forward with Brexit, hopefully providing more clarity around future trading relationships with the EU, and reducing the uncertain trading environment many innovative businesses face.