SQUIRE SANDERS

THE BUDGET 2014: PRIVATE EQUITY

March 2014

Business As Usual for Private Equity Following the Budget for Makers, Doers and Savers.

Building a resilient economy was the main focus of the Chancellor's Budget. On the whole, this translated into a series of measures to boost manufacturing and productivity as George Osborne seeks to rebuild the economy through a mixture of growth and austerity. There was of course also a sprinkling of the kind of measures you would expect in the run up to the General Election in May 2015. This time the focus was on savers, with announcements of generous changes to the ISA regime and a major overhaul of pensions. Working parents received their election sweetener, with changes to childcare tax relief being announced.

For the private equity sector, it is more a case of breathing a sigh of relief. It is business as usual. A summary of some of the key points is below:

- The seed enterprise investment scheme (SEIS) has been made permanent but there were no changes to the limits on investment.
- There were no changes to the capital gains tax rates or to the availability of entrepreneurs' relief. The lifetime limit remains the same at £10 million.
- Despite calls from Nick Clegg in recent weeks to scrap employee shareholder status no announcement was made in the Budget. This is likely to lead to an increase in the number of private equity transactions which are structured to allow management teams to take advantage of the exemption from capital gains tax.
- Press speculation about changes to headline income tax rates also proved to be just that. No changes to the main income tax rates were announced. However, the savings rate of 10% was abolished and replaced with a 0% rate for those who qualify.
- As previously announced the headline corporation tax rate will fall to 21% in April 2014 and then to 20% next year.
- Investee companies will benefit from the enhanced annual investment allowance. From April 2014 this will double to £500,000 until the end of 2015 for all companies. For many companies this means a 100% tax deduction will be available on all qualifying capital expenditure they make each year.
- Anti-avoidance measures were announced to restrict VCT tax reliefs for individuals where investments are conditionally linked to a VCT share buyback or have been made within six months of a disposal of shares in the same VCT.
- Further restrictions will be introduced to stop VCTs using share premium to return capital to investors.

For more information please contact one of the Squire Sanders lawyers listed here.

Contacts

Peter Morley
National Partner
T +44 113 284 7022
E peter.morley@squiresanders.com

Timothy Jarvis
Partner
T +44 113 284 7214
E timothy.jarvis@squiresanders.com