

# London Chamber of Commerce and Industry response to the Tax Support for Entrepreneurs: Call for Evidence

*To gauge the success of VCT/EIS in meeting their objectives the government would be interested in views on the following questions:*

## **Which types of investors are incentivised by each scheme? What pools of capital do these schemes attract?**

LCCI members have highlighted that the Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCTs) play an important role in attracting private capital into early-stage businesses. The tax reliefs reduce the financial risk associated with investing in smaller and higher-risk companies by offering income tax relief, potential tax-free gains and loss relief.

As a result, these schemes attract a broad pool of investors including experienced angel investors, high-net-worth individuals and higher-rate taxpayers who may otherwise favour lower-risk investments. The reliefs also influence how much investors are willing to commit. Because part of the investment risk is mitigated through tax relief, investors are often prepared to invest larger sums and spread capital across multiple early-stage companies.

Members also report that investors frequently plan their investment activity around EIS and VCT allowances, meaning the schemes directly shape the flow and timing of capital into smaller businesses. This is particularly important for companies at an early stage when other sources of finance are limited and may not want to take on significant levels of debt at a relatively early stage of the company's lifecycle.

This aligns with wider business sentiment data gathered by LCCI which shows that taxation and the investment environment significantly influence business confidence and willingness to invest.<sup>1</sup>

## **What has been the experience of founders in working with EIS investors and EIS funds? In what ways have the scheme supported businesses to scale?**

Members report that EIS has been an effective tool for raising capital and supporting growth. It helps mitigate investor risk and makes it easier for early-stage businesses to secure funding that might otherwise be unavailable.

The presence of EIS incentives can also attract investors who bring networks, expertise and credibility alongside funding, all of which support business scaling.

However, founders emphasise that the broader policy environment remains important. Evidence from LCCI surveys indicates that when businesses anticipate higher taxes or policy instability they often reduce investment or pause expansion plans.<sup>2</sup>

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<sup>1</sup> London Chamber of Commerce and Industry, [Businesses Doubt Government Growth Ambitions in LCCI Member Survey](#), 24 March 2025

<sup>2</sup> London Chamber of Commerce and Industry, [9 in 10 London firms believe the Autumn Budget will hold businesses back](#), 18 November 2025

**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?**

Member feedback suggests that early investment through the EIS or VCTs plays an important signalling role for subsequent investors, helping businesses develop, build credibility, and attract follow-on funding. As an example, a member explained that EIS funding helped provide a platform to prove business concepts and support further growth.

**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?**

Feedback from LCCI members suggests that while existing schemes are valuable, several practical changes could significantly improve their effectiveness for scaling businesses.

Increasing the size of companies that the reliefs apply to would make a significant difference to how effectively these schemes support businesses as they grow. Extending the period companies remain eligible based on how long they have been trading would also help ensure that firms are not excluded just as they begin to scale.

The changes due to come into effect in April 2026 are a positive step. However, a key challenge remains the time limit tied to a company's first commercial sale. The current seven-year limit (ten years for knowledge-intensive companies) can mean that businesses experiencing strong growth suddenly lose eligibility while still firmly in their scaling phase. Extending this window, or allowing it to reset following a genuine scale-up investment round, would make the schemes more aligned with real company growth journeys.

Finally, introducing a fast-track approval process through HM Revenue and Customs could help prevent delays that currently slow down investment decisions.

*The government wants to ensure the EMI scheme continues to deliver against its objectives. As such evidence would be welcomed in response to the following questions:*

**How could it/the wider share scheme offer be improved to better support founders/scaling companies?**

Members strongly support EMI as a tool for attracting and retaining talent, particularly when early-stage businesses cannot compete on salary with larger companies.

However, several barriers were identified:

- The current individual limit (£250k per-person) has not changed for many years and may not reflect the needs of scaling companies.
- Eligibility criteria mean companies can fall out of the scheme as they grow.
- Administrative requirements and valuation processes can be complex and time-consuming.

Members suggested increasing limits, widening eligibility for scale-ups and simplifying compliance requirements. For smaller companies in particular, reducing administrative burdens could increase uptake of share schemes. Members also noted that eligibility criteria should better reflect modern working patterns, including part-time and remote roles, as rigid full-time employment requirements can unintentionally exclude genuine early-stage hires.

LCCI survey evidence also highlights the pressures businesses face in recruiting and retaining staff when employment costs increase, reinforcing the importance of flexible incentives such as employee share schemes.<sup>3</sup>

***In order to better understand how the tax system can support founders, entrepreneurs and scaling companies, the government is seeking views on the following questions:***

**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?**

A consistent theme from members is that certainty and stability in the tax system are critical to investment decisions. Sudden changes to thresholds or reliefs can lead businesses to delay hiring, investment, or expansion in order to avoid crossing tax thresholds or facing unexpected liabilities. This can distort otherwise sound commercial decisions and reduce willingness to take risks.

Members also noted that unpredictable changes to areas such as employee share schemes, capital allowances, or R&D incentives can undermine confidence and cause businesses to pause or scale back planned investment. For many SMEs in particular, uncertainty encourages firms to hold cash rather than reinvest in growth.

Providing greater predictability in tax policy, avoiding frequent changes, and setting out clearer long-term frameworks would help create the conditions needed for investment.

Furthermore, based on members' experience, increasing the thresholds and enhancing the tax incentives could encourage more high-net-worth individuals to invest through these schemes. Members suggested that there is significant appetite among investors which could be unlocked if the benefits were strengthened.

While members recognise that increasing tax reliefs may not always be politically or fiscally straightforward for government, they noted that stronger incentives could support the creation and growth of more successful UK businesses. Over time, this could offset the initial cost through increased employment, business expansion, and greater tax contributions to the UK economy.

There is also a view that policy attention should not focus solely on investors but also on supporting founders and scaling companies directly. The period when businesses first become profitable is often when capital is reinvested into hiring, product development, and expansion. Measures such as targeted support during early profitable years, incentives linked to job creation, or strengthened employee share schemes could help businesses retain capital for growth.

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<sup>3</sup> London Chamber of Commerce and Industry, [9 in 10 London firms believe the Autumn Budget will hold businesses back](#), 18 November 2025

This reflects wider sentiment among London firms. Surveys by the London Chamber of Commerce and Industry show declining business confidence and concerns that recent policy changes may make growth more difficult, highlighting the importance of policies that actively support investment and expansion.<sup>4</sup>

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

Businesses reported that when tax thresholds trigger sudden increases in liability or the loss of reliefs, firms often respond by delaying hiring, investment, or expansion.

Abrupt or unpredictable changes to reliefs can also disrupt planning cycles. Growth and investment strategies are typically developed years in advance and when tax conditions change unexpectedly plans may be postponed or cancelled entirely.

To address this, tax policy could:

- Reduce sharp thresholds or phase out reliefs more gradually.
- Provide longer transition periods when rules change.
- Offer clearer forward guidance so businesses can plan with confidence.

Certainty, clarity, and stability are among the most important factors influencing entrepreneurial activity. When the tax environment is predictable, founders are far more willing to invest, scale, and hire.

### **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?**

Members broadly agree that tax can play an important role in encouraging reinvestment, particularly following a successful business exit.

Tax incentives are viewed as an effective way to stimulate investment into early-stage businesses. These investments are typically high-risk and long-term in nature, and the availability of reliefs – such as upfront income tax relief of around 30% on capital invested – can make the risk more acceptable for investors. The combination of this initial incentive and the possibility that a small number of successful companies will generate strong returns provides motivation to participate in these schemes.

Founders are more likely to reinvest when the process is simple, predictable, and does not create unnecessary tax friction. In particular, stronger capital gains tax rollover or deferral mechanisms when

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<sup>4</sup> London Chamber of Commerce and Industry, [Businesses Doubt Government Growth Ambitions in LCCI Member Survey](#), 24 March 2025

reinvesting proceeds into UK start-ups or scale-ups could unlock significant capital and help keep investment within the UK ecosystem.

The level of Capital Gains Tax applied at exit also directly affects how much capital founders have available to reinvest. Reliefs such as Business Asset Disposal Relief and investment incentives like the Enterprise Investment Scheme already play an important role in supporting higher-risk early-stage investment. Maintaining competitive and stable versions of these policies can encourage founders to recycle capital into new ventures rather than deploying it elsewhere.

Members also noted that reinvestment decisions are influenced by non-tax factors, including the desire of experienced founders to support the next generation of entrepreneurs, access to strong investment opportunities, and confidence in the UK business environment. However, uncertainty or less favourable tax treatment can reduce the incentive to reinvest domestically.

A stable and competitive tax framework can therefore help build a stronger cycle of entrepreneurship, where successful founders reinvest capital, experience, and mentorship into the next generation of UK businesses.

Nonetheless, members noted that the UK's incentives are among the most competitive internationally and play an important role in supporting the UK economy by encouraging investment into early-stage and scaling businesses that are largely headquartered and operating in the UK.