



PRESS RELEASE

**The Quoted
Companies Alliance**

QCA TELLS POLITICIANS TO “STOP THROWING MONEY AT THE PROBLEM” – IT’S TOO BLUNT AN INSTRUMENT

POLITICIANS ARE FAILING TO ADDRESS THE KEY ISSUE OF HOW TO STIMULATE GROWTH SAYS QCA

20 November 2008

The Quoted Companies Alliance (QCA), the representative body for small and mid-cap quoted companies have today said that although the political parties have suggested that “tax breaks” are the way ahead in coping with the current economic crisis, their concern is that a broad reduction in tax is simply the fiscal equivalent of “throwing money at the problem”.

Tax cuts may prove to be a political expedience that in reality fails to address the key issue of how to stimulate growth.

The smaller quoted sector is the seed bed for future growth and job creation in the economy. This was recognised by the Government when they first came to power but recent years have seen a reversal of many of the incentives that led to growth in this sector. The QCA would like to see a two pronged approach that throws a lifeline to this very important sector at a time when survival is a major issue and stimulates investment ensuring future growth.

The QCA suggest that the Government can assist by:

1 Deferring quarterly corporation tax payments.

Currently many companies have to pay corporation tax during the year on an estimated basis. This kicks in when a company’s estimated profit exceeds £1.5m (i.e. when they have to pay the full rate of corporation tax). We believe this limit should be increased to £3m with immediate effect. A similar measure has already been introduced with respect to quarterly VAT payments.

2 Allowing flexible use of losses

Many companies are experiencing losses just when they are facing tax bills in respect of earlier year’s profits. The ability to carry losses back is limited to one year and the rules regarding carry forward are highly restricted and inflexible. We would like to see an immediate introduction of a 6 year carry back of losses coupled with a much more flexible use of losses carried forward.

3 Reducing Corporation tax rates

For many small companies the rate of tax has actually increased in the last two years and is due to increase again next year because of the increase in the “smaller companies” rate of tax. This is a classic example of mistiming. We would like to see the smaller companies’ rate of tax reverting to 18% and the mainstream CT rate reduced to 23%.

4 Improving investment incentives

Last year’s PBR saw the abolition of asset taper relief and a reduction in the general CGT rate to 18%. An unfortunate side effect of this is that it has removed the incentive for investment in trading companies particularly those listed on AIM. We propose:

- An extension of entrepreneurs’ relief. The life time limit of £1m should be increased to £10m, the de minimis share holding requirement should be removed for company officers and employees and the relief should be available to third party investors.
- That investments in AIM listed companies should qualify for ISA’s without disturbing the inheritance tax provisions.
- The rules for VCT’s should be relaxed e.g. allowing them to invest in the secondary market.

These points were included in the QCA’s Pre-Budget statement that was sent to The Chancellor on 10 September of copy of which can be downloaded from their website at www.quotedcompaniesalliance.co.uk/submissions.asp

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Notes to editors

The Quoted Companies Alliance (QCA) represents UK’s Smaller Quoted Companies (SQC). The SQC sector is defined as those 2,000 companies that are listed on the London Stock Exchange outside the FTSE 350, plus those quoted on AIM and PLUS.

The QCA was founded in 1992 and has been consistently successful in campaigning among City, UK Government and EU circles on a range of issues affecting the sector, including corporate governance, taxation and market regulations.

The QCA was instrumental in the establishment of AIM and continues to fight for a regime of lighter touch regulation to assist growing companies and to represent them to Westminster, Whitehall and Brussels.

The QCA represents smaller quoted companies and is their advocate in all issues that affect them.