

## **AngelNews survey of 60 entrepreneurs following HM Government's pre-budget report October 2007.**

**Responses to the question: "Have you got any comments you would like me to refer to in my article? If you want a comment attributed please give me your name."**

Yet another knee jerk raid by a government in difficulty without thought for long term strategy. Almost as bad as the raid on pensions and look at the disaster this has caused. Dave Sudworth. KnowledgeCore Ltd

I'm not sure about the balance in the questionnaire but I share the view of outrage but we cannot ignore why the Government has taken these steps. VCs have moved to safer, later stage investments and want the tax benefits without taking the risk to create market growth. The response of Government to some examples of excess is penalising Business Angels and entrepreneurs - the people who are taking the risk and creating the wealth. In my view we need to tackle the cause as well as the respond aggressively to the effect. Kevin Meagher, CEO Intamac

A great example of short term political manoeuvring driving long term financial strategy - what a disaster. Completely undermines investment in the growth of new businesses. The truth of Gordon Brown shines through, Blair was no better but at least he carried it off with panache!

The 'propaganda' war is being lost. It is not the politicians or civil service or other business people that should be addressed with the 'aint it awful' moan . . . No one seems to be educating the man in the street with the simple understanding that governments do not spend their own money they spend our money. Weirdly Americans at the time of independence understood this despite there being no TV or internet . . . now in Britain few seem to understand the simple economics underpinning government freedom to put its hands in our pockets!

Why are we all being punished for the avarice of the few - i.e. the private equity vultures.

I am very concerned that investors in pre-profit or early growth suddenly have a huge incentive to quickly sell out their holdings, exercising their pre-emptive and preferential rights even at low valuations, leaving founders and option-holders to drown.

Angel investors are the lifeblood of SME companies in the technology sector. The UK was just beginning to develop some momentum in this investment category. It seems that the CGT change will kill the development before it really has a chance to develop strong traction.

The proposed change to CGT is the biggest disincentive to innovation that I have ever experienced, and seems to be a totally ill-conceived scheme. Until this I have been a supporter of the present government, and believed that their fiscal policies were basically sound. This has fundamentally undermined that belief, and the government have at a stroke lost my support.

I think if the government wants to increase to 18%, they should differentiate between 2nd home owners (who this is really aimed at, by way of encouraging them to sell in order to meet the housing shortfall) and proper trading businesses. I think they also make it applicable to companies set up AFTER April 2008, so those before are exempt, or at least put a 5 year limit on it.

It was very hard to get seed finance for my business even with Taper Relief. It came close to not happening. It was also a hard decision for me to take the personal risks involved. Without taper relief it might not have happened and we would not have created 35 jobs. John Thompson

This tax proposal reeks of "knee jerk" thinking and is shocking, ill-advised and ill-thought through. SME's are the lifeblood of England, and Brown is gutting us for short term gain, just like he did Petroleum, Pensions and Fund Managers. This shows his true colours, which are black hearted and driven by envy and greed.

I don't understand how the CGT changes will affect our EIS investors - presumably the exemption from CGT on disposal after 3 years is not affected. EIS was CRITICAL in us securing funding and changes to EIS will affect our ability to secure future growth funding.

The change to 18% from 10% will certainly raise more money, but this Government fails to take into account time and again the little entrepreneurial investors who are the life blood of start up companies. These investors are being penalised so that the Govt. can catch a few "fat cats"

If CGT goes to 18%, everyone in the UK is incentivised to put their money into risk free property investment (currently taxed at 40%), rather than invest in early stage businesses/AIM etc. The result is property prices continue to go up fuelling inflation, the country builds up even more debt and we become a country of property owning couch potatoes!

IT NOT JUST THE RESTRICTIVE AND SUFFOCATING TAX REGIME THAT IS DESTROYING SMALL (AND LARGE) BRITISH BUSINESS'S BUT THE COST OF RED TAPE, ADMINISTRATION AND RULES AND REGULATIONS THAT ARE BECOMING INCREASINGLY DIFFICULT TO RATIONALIS AND UNDERSTAND

18% CGT will lead higher rate income tax payers to move income into capital gains using limited companies. This will likely have a negative effect on tax receipts. A similar problem arose when corporation tax was cut by Gordon Brown. The treasury have spent 5 years trying to discourage people from minimising income using limited companies. The situation may now become far worse. I also think the retrospective aspect of the proposals is disgraceful. My company just introduced an EMI scheme for all employees and issued options. The EMI relief was then abolished. EMI is a good thing and should be maintained.

The problem here is not the govt but the angels! Rodolfo

What impact does this have on EIS, SIPP, Pension fund investments in SMEs - not knowing could kill investment activity in short term...

The UK is facing economic uncertainty so Brown and Darling attack the engine room for innovation and growth through start-ups. It simply makes no sense economically and politically.

The CGT change effectively is a retroactive tax on the business success we and our shareholders have earned in the past 5 years. When people invested in our company 5 years ago they did it on the basis of 10% on exit.

An incremental change from 10% to 18% CGT has negligible effect on the viability of most SME business plans, for either a manager in the business or an investor. Whilst I would prefer to pay less tax, if my business is successful we all make loads of money, and if it is unsuccessful then the incremental tax rate is irrelevant. When I sold my last business I paid 40%. Now the rate is 18%. That is an improvement, even though it was 10% for a while - but I didn't have a business to sell then so it didn't matter.

Yes, I am horrified at the CGT proposals and 100% support Doug Richard's article in the (Saturday?) Telegraph. Darling is planning to reward buy-to-let landlords and disincentivise SME risk-takers and wealth creators as a knee-jerk counter-reaction/piece of political posturing. Whilst I am not planning to leave UK yet, I will now very seriously consider the option.

First, the changes were introduced to influence polling of party popularity, not to influence the behaviour of large scale private equity, whose tax exemptions still should be changed to tax the capital gains of equity managers as personal gains in the same way as all other people. The changes to taper relief and indexation relief constitute yet another retrospective tax increase. Retrospective changes make it impossible to plan with any degree of confidence that the government will not penalise you for purely party political reasons and is damaging to public confidence in government integrity and business or personal planning. It strengthens the impression that Britain has become a country governed by liars and administered by incompetents.

I have gone from supporting Gordon Brown and Tony Blair to planning to vote conservative in one fell swoop. Solely based on the ill-thought through proposal of scrapping a well-thought through tax.

This change to CGT can severely affect the modus operandum of many smaller high potential companies which have founders (who would have benefited from taper relief but now won't) and newer additions to management team who now have no incentive to stay in for the long run as there is no marginal tax benefits.

NI is the biggest pain to early stage businesses needing to recruit in order to grow. A reduction in spend on the numerous govt support agencies of questionable merit and their strap-hangers (with the exception of UKTI, which unfortunately seems to be working with greater cash restraints), and diversion to reduced NI contributions for early stage SMEs, would be a highly positive move. Philip Neame - Integral Mobile Data

Will make it both more difficult to raise external equity finance, with a knock on effect of making bank debt more difficult to obtain because of lack of matching equity investment. As a business that generates most of its revenue from outside the UK we will be looking to transfer the company and key assets like IP outside the UK. The major stumbling block will be the problem of a VC investor that is constrained only to invest in UK companies. Biggest problem is that we will end up spending management time and money on solving tax issues that would be better spent of developing the business. However the return on investment in building the business through recruiting new employees is unlikely to be more than the return on investing in tax advice. Robert Davidson

If the aim is to upset the private equity profiteers, then exclude properly set up EMI schemes for entrepreneurial companies and their employees.

Businesses that were set up in the past should not be affected, since this is the calculation we took into account in the way we have tried to grow the business and not paid the directors much salary and dividends.

The government should not make entrepreneurs suffer to take more tax from the private equity industry.

At least making CGT uniform what I might lose on the swings (CGT on my business investments) I will gain on the roundabouts (CGT on 2nd home etc). Stop moaning please! And stop wasting time and money with surveys like this and do something productive instead.

Entrepreneurs and risk takers are the magic ingredient that creates a vibrant economy. It's like the seed from which plants, trees and forests grow. Kill off the supply of seeds by de-motivating entrepreneurs and watch the economic environment die slowly. short-term BAD idea Giles Palmer MD, Magpie.net

I am MASSIVELY against hitting the entrepreneurial spirit of the UK. We already lag the US in terms of attitudes towards failure, risk and entrepreneurship - let's not make this any worse.

I sacrificed a good job and salary to take a large risk and reduced earnings to set up my business. The returns are now significantly less and I may not have decided to go ahead if I had known this was coming. I will definitely NOT be voting labour in the next election.

\*Note spelling errors have been corrected