CMIT

**17 August 2023 – Capital Markets Industry Taskforce (CMIT) meeting – Key points discussed**

**Introduction / Procedures**
- Members approved the minutes.

**Ensuring existing tax incentives encourage companies to scale and stay in the UK**
- Members discussed the benefits of the UK's package of tax incentives which support companies during their early growth phases, such as the Seed Enterprise Investment Scheme (SEIS), the Enterprise Investment Scheme (EIS), the Venture Capital Trust (VCT) and Enterprise Management Incentives (EMI).
- Members noted the limitations of these schemes in their current form, including examples where companies have to try to stay within EIS/SEIS thresholds in order to retain the benefits of the schemes, which disincentivises growth, and ultimately hinders job creation.
- Members noted the need to relook at some of the schemes and consider tweaks to improve their effectiveness. One potential tax-neutral solution discussed was to extend the tax incentives beyond the current thresholds in certain cases. Requiring that a company retain a domestic 'nexus' in order to retain the benefits from the tax incentives was also noted as a reasonable intervention (in line with that seen in other jurisdictions) and which would help keep the ultimate benefits of UK taxpayer investments in the UK. The members discussed reviewing how countries with international financial centres invest in themselves to inform future policy proposals, including through the Australian divided tax credit, US Inflation Reduction Act, and Singaporean listing fee grants.

**Developing a stronger retail presence in UK capital markets**
- Members discussed the importance of increasing retail participation in public markets and the importance of changing the attitude to risk, including the understanding of risk management, to ensure UK society is able to reap the benefits of capital markets and manage their long-term financial wellbeing.
- Members noted the investment culture in the US, with a greater percentage of the population interested in how markets work, as this directly impacts their 401k investments. Whilst the UK historically enjoyed a similar appetite for investing in UK equities, this has faded in recent decades, and instead, interest has shifted to more exotic, unregulated, and higher risk products like cryptoassets.
- Examples of reforms which have been proposed by the wider community include increasing the ISA allowance for investments in UK listed equities.
- Members also noted the need for financial education at school, with many in the UK never learning about how to manage investments, either at school or in later life.

**Workstream 1: Unlocking additional sources of capital for UK companies**
Chairs: Peter Harrison, Andy Briggs
Leads: Jon Symonds, Klaus Hommels, Joe Cassidy
Focus: Making it easier for capital to flow in the direction which generates greatest benefit, supporting UK companies and providing pension and policy holders and savers with strong long-term returns.
- Members welcomed again the measures announced in the Mansion House statement but noted that delivery is key.
- On Solvency II reform, members noted that Government needs to include further detail in the explanatory notes and clearly support investment in illiquid assets. Members also noted that the Prudential Regulation Authority's consultation into Solvency II reform included many potential capital add-ons which would apply to any investment with any uncertainty at all, which risks dampening incentives to invest in these assets.

**Workstream 3: Creating the best environment for the UK to produce high growth, consequential companies**
Chair: Matthew Scullion
Leads: Mark Austin, Jon Symonds, Joe Cassidy, Klaus Hommels

Focus: Create a series of recommendations to help improve the environment in the UK for creating high growth, consequential companies, including ways to: increase support for entrepreneurs, change the attitude and playbook of domestic investors to risk and consequential business building, change attitudes to risk taking, business building and entrepreneurial success in the public and media.

- Members noted the importance of promoting and amplifying the views and voices of the many UK business success stories. This could be through a series of interviews and would be most successful if it cut across a diverse set of perspectives.
- Some members noted the difference between the UK and other jurisdictions when it comes to press and media engagement with the corporate community. In particular, noting the criticism of companies and/or the ecosystem, without equally pointing to successes and positive stories. This ultimately generates a negative narrative that can sometimes go unanswered and which increases the perceptions of UK plc being less competitive than it really is.