IW CAPITAL

EU REFERENDUM ROUND-UP:
BUSINESS AND INVESTMENT IMPLICATIONS

What does the EU Referendum mean for the Future of British Business?

On Thursday 23 June, Britain went to the polls to make a 'once in a lifetime decision'. After years of debate over Britain's future relationship with the European Union (EU), Prime Minister David Cameron fulfilled his 2015 election pledge by asking the British people to consider the following question:

Should the United Kingdom remain a member of the European Union or leave the European Union?

Despite being a simple yes/no question, both sides of the campaign recognised that either outcome would have a profound impact on the future of the British economy. The polls have now closed, the votes have been counted and the results are in – **Britain has decided to leave the EU.**

The full implications of this result will be digested over the coming weeks by government, industry bodies and private businesses. Nonetheless, industry leaders have called on the British Government to reassure businesses and investors that their interests will be protected during the UK's forthcoming period of disengagement from the EU.

To understand what the immediate implications are for British businesses and investors, we have summarised the key areas of focus for the business and investment community below.

Process for the UK's withdrawal from the EU

UK Prime Minister David Cameron will invoke Article 50 of the Lisbon Treaty when EU heads of state meet on 27 June. This will trigger a two-year grace period whereby the European Commission and European Parliament will negotiate the terms of the UK's withdrawal from the EU. During that time, the UK will not be able to participate in any internal EU decisions or discussions. Following negotiations between the European Commission and the European Parliament on the UK's withdrawal, a new agreement will be enforced which will exempt the UK from all EU law and regulations.

What this means for EIS

Britain's decision to leave the EU means that it will no longer need to comply with EU legislation. As part of Brexit, venture capital schemes such as the Enterprise Investment Scheme (EIS) will no longer be required to comply with EU legislation on State aid. This means that regulatory measures that have limited the number of businesses and investors able to access the scheme could be overturned.

Since its inception in 1993/94, the EIS has been vital in linking private investors with scaling SMEs. Over 24,500 companies have received investment through the scheme with more than £14 billion worth of funds raised. EU legislation on State aid, however, has subjected the EIS to many changes throughout this period. This includes limiting the types of companies able to qualify for investment through the EIS, and capping the amount of capital that can be raised. For example, to comply with recent EU legislation, last year the UK Government introduced a new lifetime cap that limits the total amount of EIS funding a company can receive at £12 million, or £20 million for knowledge intensive companies. As of July 2016, EU regulations will also create more red tape, with companies receiving any form of State aid (including EIS investment) over €500,000 having to report their funding to HMRC.

Following the UK's decision to depart from the EU, the direct impact of such regulations will now need to be re-considered, amongst a body of further regulation pertaining to the infrastructure that defines the UK private sector. Bank of England Governor Mark Carney has reassured the market that there is no need for panic as extensive contingency plans are in place to ensure long-term stability: "Some market and economic volatility can be expected as this process unfolds. But we are well prepared for this. The Treasury and the Bank of England have engaged in extensive contingency planning... The Bank will not hesitate to take additional measures as required as those markets adjust and the UK economy moves forward."

Key imminent dates to note

The opportunities and implications arising from Brexit will be fully revealed in the coming weeks when the political community and British economy adapt to the new market conditions created by EU referendum announcement. Prime Minister David Cameron's decision to resign means that we have also entered a period of political transition, offering the rare opportunity for Britain to re-establish its business and investment relationships domestically and moreover, abroad.

More information will be revealed over the coming weeks when political leaders sit down to negotiate the terms of the UK's withdrawal from the EU. This process kicks off this week when European leaders meet on June 28 and June 29. This meeting will provide an initial indication of the path Britain will take in leaving the EU. Following this, David Cameron's replacement will be chosen in time for the Conservative Party Conference on Sunday, October 2.

Over the course of the next two years, government negotiations are set to dominate the UK's political calendar. In light of these events, we will continue to offer regular updates on how Britain's exit from the EU is likely to impact your investment plans – starting with next week's launch of our new edition of EIS in 2016: What does Brexit mean for the EIS?

Understand how the EIS can support your investment strategy by downloading your complimentary IW Capital brochure, available here.

Alternatively, the team at IW Capital is on hand to answer any direct queries you may have regarding the EU referendum and its future impact on your investment portfolio. To speak to a member of the IW Capital team, call 020 7015 2250 or email info@iwcapital.co.uk