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Doing Business in the United Kingdom

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PART V INVESTMENT CONSIDERATIONS

CHAPTER 22 Business Incentives

2-22 Doing Business in the United Kingdom § 22.04

AUTHOR: revisions made by the UK offices of Eversheds and co-ordinated by David Church

§ 22.04 Incentives for Small Businesses

[1] Advice and Information

[a] Business Link. Business Link is the national business advice service operated out of 45 locations in England by local operators. It is administered by the the Small Business Service which is an agency of the Department of Trade and Industry. It maintains a comprehensive website¹ providing information on a large range of business issues across most areas of business. Additionally the local offices maintain their own comprehensive websites. If the websites do not provide the answer or an indication of the relevant organisation to contact, then practical advice on day-to-day issues is available from business advisers. The advice is available to both private and public sector organisations. The present organisation of Business Link is a further refinement of measures to provide a unified business advice service.

[2] Financial Assistance

[a] Rural Development Service. This entity administers the English Rural Development Programme for the Department of the Environment Food and Rural Affairs ('DEFRA'). However the Programme is geared to preservation of the countryside and is unlikely to be of interest to inward investment. Details of the programme can be found on the DEFRA website.ⁿ²

[b] Loan Guarantees. The Small Business Service ('SBS') Small Firms Loan Guarantee Service was set up in 1981 by the Government to provide individual traders or small businesses, who would not otherwise be able to raise finance due to their lack of track record or suitable security, with opportunities to obtain loans. The Government gives the lending bank a guarantee of 75% of the loan.

The loans made under the scheme can be made to meet a range of requirements, from capital expenditure (such as plant and machinery) to working capital for day to day trading needs. The loans are usually made at favourable rates of interest and are typically made available for amounts between £5,000 and £250,000 for a term between two and ten years. In recent years there has been a reduction in the amount lent under the scheme, primarily as a result of recession.

[c] Enterprise Investment Scheme. This scheme, the successor to the old Business Expansion Scheme, provides

the investor with income tax relief on subscriptions of up to £150,000 in any tax year for new ordinary shares in certain unquoted companies. Qualifying companies range from traditional manufacturing to the service sector, but excludes such activities as leasing, banking and insurance and dealing in land, commodities or shares.

The investment must be for at least five years or the income tax relief is withdrawn. The scheme is complicated and professional advice should be obtained.

FOOTNOTES:

(n1)Footnote 1. www.businesslink.org

(n2)Footnote 2. www.defra.gov.uk/erdp/schemes/default.htm.