Scores of companies take AIM at Reeves over tax threat

More than 140 London-listed companies including Fevertree Drinks, Jet2, Mothercare and YouGov have warned the chancellor that uncertainty over the continuation of a vital tax incentive is damaging investor confidence ahead of this month's Budget.

Sky News can exclusively reveal that AIM-quoted businesses generating combined profits of £1.5bn and employing more than 120,000 people have written to Rachel Reeves to urge the government to provide "clear support" for business relief (BR) in order to restore investors' faith in the City's junior exchange.

The letter represents a comprehensive warning to Ms Reeves from dozens of prominent companies about the impact of recent speculation about the abolition of BR for inheritance tax.

It is understood to have been organised at the behest of Octopus Investments, which is invested in a large portfolio of AIM stocks through its AIM Inheritance Tax Service.

Cavendish, the investment bank which acts for roughly a quarter of all AIM-listed companies, is said to have corralled many of the signatories to the letter.

Among the other backers of the plea to the chancellor, which was sent last month but has not been reported, were Arbuthnot Banking Group, Cake Box Holdings, FRP Advisory, Gateley, H&T Group, Marlowe, M&C Saatchi, Mortgage Advice Bureau, Nichols, Revolution Bars, Revolution Beauty, Science in Sport, Staffline, Tasty, Virgin Wines and Warpaint.

In it, they say that AIM "has given innovative businesses like ours the ability to access patient capital as we grow" since

it was established 30 years ago.

“Underpinned by important tax reliefs like Business Relief on Inheritance Tax, AIM has become one of the most successful growth markets in the world.

“While there are a small number of specialist funds investing in companies listed on AIM, a significant percentage of our shareholder base is made up of individual investors.

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“BR compensates those investors for some of the additional risks associated with investing in growing companies.

“This investment forms the foundation of AIM as a critical growth platform for smaller companies.”

The letter is the latest warning to Ms Reeves to emerge in recent weeks, with the bosses of leading brokers such as Peel Hunt and Dame Julia Hoggett, chief executive of the London Stock Exchange, signalling that the viability of the junior London market would be threatened by the abolition of BR.

The Treasury has refused to comment on the intensifying speculation ahead of the Budge.

City sources said the companies’ collective letter had also been sent to other Treasury ministers as well as to Jonathan Reynolds, the business secretary.

It was sent amid estimates that the chancellor could need to raise as much as an additional £25bn from tax rises in order to avoid a return to austerity.

“The nature of BR legislation means that qualifying investors, who are advised to make these investment decisions as part of estate planning, take a long-term approach because they have little incentive to sell in fear of a market downturn,” the letter added.

“Recent uncertainty around the future of BR, created by media speculation, has significantly impacted the ability of AIM businesses to raise capital.

“A lack of clarity on the future of this relief has damaged investor confidence, showing clearly the close link between the relief and the future success of the market.

It added that the chancellor should use her inaugural Budget to restate Treasury support for BR for qualifying AIM-listed shares.

“High-growth businesses are critical to our economy, in terms of job creation, innovation and, increasingly, the ability to reinvigorate parts of the UK that have suffered from a lack of investment.

“Clear government support for BR will restore confidence in the AIM market and help it to play a key role in driving economic growth, ensuring the UK remains competitive for high-potential businesses.”

Other signatories included Brave Bison Group, Brickability, Brooks Macdonald, Comptoir Group, Crimson Tide, Hargreaves Services, Intelligent Ultrasound, Music Magpie, Ramsdens, Safestay and Union Jack Oil.

Octopus Investments and Cavendish both declined to comment.