

**FINANCIAL HEALTH REQUIREMENT  
AN IMPORTANT ANNOUNCEMENT**

**7<sup>TH</sup> NOVEMBER 2023**

We are delighted to announce an excellent outcome to the campaign by RW Blears LLP and Philip Simpson K.C., to relax HMRC interpretation and guidance regarding the financial health requirement (FHR) for EIS and VCT qualifying companies.

On 18<sup>th</sup> August 2023 HMRC published revised guidance VCM [13040/55050](#) following our initial lobbying efforts but we continued our work.

We tabled for consideration a template form of an accountants' letter and asked HMRC to confirm whether or not they would accept that it would be reasonable for us, or indeed any other adviser, to apply to HMRC for Advance Assurance on the basis of a technical report on the FHR from a chartered accountant using our template letter, or, as the case may be, for a professional adviser to base their opinion on such a letter.

HMRC have emailed RW Blears LLP today to say that the template is accepted:

“With regards to the template, we are not looking for a standard template as such but if you provide us in the format you've suggested that would be acceptable as long as the appendix shows the required adjustments. Hopefully this should suffice, but the caseworker may seek clarification if needed.”

More important were the closing remarks of their email which are extremely helpful:

“HMRC will give due consideration to reasonable explanation, with credible documentary evidence, provided by the company as to why it will not be condemned to go out of business despite initial indications of the FHR not being met. The decision whether the requirements of FHR are met will be based on the merits of the case and the strength of the evidence provided but hopefully this will give you some re-assurance that HMRC are not looking to apply FHR as purely an arithmetic test”.

We are grateful to HMRC for their consideration of this matter. Their understanding and conclusion are very much appreciated.

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