



25 February 2015

Dear Sirs

**Response to Technical Note 'Deductions of income tax from payments of yearly interest: Private Placements'**

The Institute for Family Business is the UK's non-profit family business organisation. Family businesses in the UK employ over 9.4 million people and generate over a quarter of UK GDP. Family businesses outnumber others by about two to one – comprising around 3 million businesses – turning over around £1.1 trillion.

Our latest research shows that family firms operate across all industry sectors and regions of the UK. Whilst many are small firms, there are over 15,000 medium and large family firms operating in the UK – many household names and global brands. Family business is a great British success story, and these businesses are ambitious and eager to build on their success.

The long term outlook of family firms influences their needs when accessing finance to invest in their businesses. Family businesses need a competitive finance market which includes options aligned to their long term outlook and don't necessitate the sharing of equity. Private placement, insurance and pension lending are all financing options which support the long term requirements of family firms.

The UK private placement market has a great deal of potential but is still underdeveloped. It is positive to see Government and others looking to address the barriers to developing this market, and we acknowledge HMT's comments on the need to develop private placements nationally and across Europe to broaden the types of finance on offer, and increase the number of alternatives to bank lending. We support the development of initiatives aimed at encouraging the development of a UK private placement market, and would welcome the opportunity to work with Government and others to progress this work.

Almost half of all medium sized businesses are family owned. Family businesses in the UK are ambitious and eager to build on their successes. We see a real area of opportunity for growth and investment in medium sized businesses with the development of a UK private placement market. This will support family firms in building a stronger economy for the long term, creating jobs and increasing productivity.

We support the proposal to provide an exemption from the obligation to deduct income tax from yearly interest paid on private placements. In order to fully support the aim of removing barriers to development in the private placement market, it is important that the conditions to qualify for the exemption are not overly constrictive.

We are keen to work with Government on increasing competition and availability in the non-bank finance market, and would like to meet officials to discuss the needs of the family business sector in more detail.

Yours faithfully,

Mark Hastings  
Director General