



# Insurtech UK

Our mission is to transform the insurance industry through the use of technology,  
and make the UK the global leader for insurance innovation

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## TAX SUPPORT FOR ENTREPRENEURS: CALL FOR EVIDENCE

February 2026

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### SUMMARY

Insurtech UK welcomes the government's focus and engagement on improving the UK environment for entrepreneurship.

In our policy publication '[Roadmap to strength UK insurtech](#)' we called for expansion of the thresholds for the Enterprise Investment Scheme and Enterprise Management Incentive, and were pleased to see this delivered by the Chancellor in Autumn Budget 2025.

In response to this consultation on further refinements to enhance the effectiveness of the tax system, we advocate for the following amendments that would improve current support:

#### **Enterprise Investment Scheme**

- Expand EIS eligibility to start-up and scale-up firms in the insurance sector, or in the absence of this extension avoid a cliff-edge by allowing a three year

transitional period for continued EIS eligibility when MGAs transition to become a fully-authorized insurance entity

- Improve administrative processes for EIS applications with 30 day response deadline and online portal for live status updates

### **Enterprise Management Incentive**

- Evolve to provide a clearer, stronger pathway for employees, reflecting more modern working patterns

### **VAT**

- Allow VAT clawback for insurtechs currently ineligible, either for the first three years of development or where evidence demonstrates genuine tech spend to level playing field with other sectors and allow reinvestment back into the scaling firm

### **R&D Tax credits**

- Implement a fully accessible and widely available advance assurance scheme so innovative UK businesses can benefit from greater certainty before making investments and claiming relief

### **Business Asset Disposal Relief**

- Increase cap to at least £20 million to encourage proven founders who have successfully started, scaled and exited a business to continue their entrepreneurial journey in the UK

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## **CONSULTATION QUESTIONS**

### **Venture Capital Trust / Enterprise Investment Scheme**

To gauge the success of VCT/EIS in meeting those objectives the government would be interested in views on the following questions:

**Q. Which types of investors are incentivised by each scheme?**

**What pools of capital do these schemes attract?**

**Q. What has been the experience of founders in working with EIS investors and EIS funds? In what ways has the scheme supported businesses to scale?**

**Q. Does the design of the VCT scheme, and investment decisions of VCTs using it, align with the original objectives of the scheme to support investment in the most high-risk, high- growth scaling companies?**

**Q. What are founders' experiences with the fees charged by VCTs/EIS funds to investor companies? What are founders' experiences of the investment terms offered by VCTs/EIS funds to investee companies?**

**Q. For start-ups and scale-ups, how does early stage VCT and EIS investment impact the ability to secure funding from other sources? How do the new scheme limits support that transition?**

**Q. How could these schemes be enhanced in future to better support founders, scaling companies, and the broader investment pipeline for the UK's high-growth companies?**

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### **Insurtech UK - Overall input on EIS**

There is a clear positive impact from the EIS in incentivising private investment into start-ups through favourable tax treatment, which has successfully encouraged significant funds into the growth of UK companies.

In our 'Roadmap for UK Insurtech Growth' we called for the scheme's expansion, and welcome the expanded limits set out in the Autumn Budget 2025.

There remain, however, sectoral constraints on eligibility for financial services, including insurance, meaning many insurtechs remain unable to take advantage of this initiative.

Following extensive engagement with HMRC, Insurtech UK welcomed updates to the EIS guidance in 2021 clarifying that Managed General Agents are eligible given they do not directly underwrite insurance risk as a carrier.

The wealth of firms within the insurtech sector is however much broader than MGAs, and expanding this relief to all insurtech companies would provide increased levels of much sought after investment for insurtechs to start and grow, as well as levelling the playing field relative to other technology companies.

It would also remove a prohibitive hurdle to increasing competition within the insurance sector as for growing MGAs who are considering the next step of converting to an insurance firm in their own right, becoming a regulated company would currently invalidate their EIS status. At the very least a three year transitional period as MGAs progress to being a regulated insurance entity would remove this cliff-edge and the uncertainty it poses for EIS investors.

Feedback from our members also suggests that the scheme's current administrative processes can be offputting with lengthy submissions required and long response times which can increase advisory costs, stall fundraising rounds, and impact investor appetite or confidence. Measures to address these factors would be very welcome, and could include a statutory response time e.g. 30 days, and an online portal where both founders and investors can see or receive automated notification of the live status of applications. That EIS benefits are limited for international investors was also noted in our discussions. Creating clearer mechanisms for coordinated participation with international investors could further enhance EIS's role in global fundraising.

## **Enterprise Management Incentive**

The government wants to ensure the EMI scheme continues to deliver against its objectives. As such evidence would be welcomed in response to the following questions:

**Q. Considering the new scheme limits, how effective is the current EMI scheme for founders/scaling companies in accessing the talent they need to grow and develop?**

Our members value the positive impact of the EMI scheme in enabling cash-constrained start-up companies to compete for talent with larger corporates through share-based remuneration, whilst giving staff a stake and say in the company's success.

In our 'Roadmap for UK Insurtech Growth' we called for the scheme's expansion, and welcome the expanded limits set out in the Autumn Budget 2025 which will allow companies to continue to utilise this incentive as they scale.

**Q. How could it/the wider share scheme offer be improved to better support founders/scaling companies?**

EMI could be evolved to provide a clearer, stronger pathway for employees, reflecting more modern working patterns.

This includes expanding eligibility for flexible and part-time roles, clarifying rules for international and remote staff, clearer guidance on how EMI works during mergers and acquisitions, and grace periods for potentially disqualifying events such as temporary reduction in hours, phased return from parental leave or short-term secondments.

**General**

To understand these issues further, the government would be interested in views on the following questions:

**Q. In what additional ways could the UK's tax system strengthen the investment pipeline, and further encourage an entrepreneurial, risk-taking environment in the UK?**

**VAT**

For many scaling firms, VAT clawback helps them to remain competitive in their early stages. However, this is not the case for the insurtech sector. A fairer VAT/IPT regime is needed to reduce inconsistencies in tax treatment for insurtechs, to enable insurtechs to scale quicker and on a level playing field with other tech sectors.

Many UK insurtechs are intermediary businesses such as Managing General Agents or brokers. These are not fully licensed insurance firms in their own right. Rather they use their digital and tech skills to provide a much-improved consumer experience both in terms of purchasing insurance and making claims. The underlying financial cover is still provided by the insurer.

The insurtech intermediaries sell insurance policies directly to customers and in doing so collect Insurance Premium Tax on behalf of the insurer which passes to HMRC, but insurtech intermediaries are currently deemed VAT exempt meaning they cannot reclaim

VAT on their outgoings such as tech infrastructure, digital marketing or professional services.

For example, this could mean a spend of over £1.5 million on technology and associated costs but not being able to claim any VAT back due to the firm's business model.

As a consequence these growing insurtech businesses are effectively paying 120% for 100% of a product or service, and have to raise 20% more capital than other start-ups. This can act as a disincentive to early stage investors to choose a business with a 20% levy on many costs, versus other UK-based tech sectors.

This relief could also have been reinvested back into the business, as it would have been for those operating in other sectors. The impact is a constraint meaning it takes longer for the firm to grow and scale, and in the early stages can make the difference on whether the firm succeeds or fails.

We would like to see greater recognition of this constraint and active discussion of possible solutions. One such step could be to allow insurtech firms to receive a VAT number in order to clawback VAT for the first three years of development, or to clawback VAT where there is supporting evidence that it is genuine tech spend. These steps would allow the reinjection of funds back into the business at a critical time in the company's growth.

### **R&D tax credits**

Following consultation in 2025 on advance clearance, we welcome the government's pilot of a targeted R&D advance assurance service in 2026. We look forward to this leading to a fully accessible and widely available advance assurance scheme being introduced so that innovative UK businesses, including insurtech scale-ups, can benefit from greater certainty before making investments and claiming relief.

### **Wider awareness of availability of tax incentives**

There is a cohort of higher earners in this country who may have income to invest (having reached ISA and pension limits), but are not aware of the opportunities to invest in early stage companies nor the accompanying tax incentives. Early stage insurtechs

would benefit just as much from 100 early stage investors as a smaller number of £50-100k investors.

Collectively across the tech/fintech/insurtech sector, with central co-ordination from HM Treasury and other bodies such as City of London Corporation, there may be more we can do in terms of education and campaigns to target this cohort resulting in increased cash flow into innovative UK firms and a greater breadth of productive opportunities for individuals.

**Q. can tax policy better support founders, avoiding abrupt transitions or cliff edges, which risk unintended consequences and hindering growth?**

See answer above re EIS.

Due to insurance not currently being eligible for EIS, growing MGAs who are considering the next step of converting to an insurance firm in their own right would currently invalidate their EIS status. At the very least a three year transitional period as MGAs progress to being a regulated insurance entity would remove this cliff-edge and the uncertainty it poses for EIS investors.

### **Reinvestment & Business Asset Disposal Relief (BADR)**

In order to better understand how the tax system can support reinvestment, the government is seeking views on the following questions:

**Q. What are the main factors that influence whether entrepreneurs reinvest in other start-ups or scale-ups after a successful business exit, and to what extent is tax an appropriate lever for encouraging this?**

Tax is an appropriate lever to encourage reinvestment. In discussions with our members, founders who had exited and gone on to build further ventures had found the previous Entrepreneurs' Relief (when set at the higher level) an incentive to continue using their expertise to create another company.

**Q. Is tax an appropriate lever to incentivise reinvestment? If so, how can the UK tax system encourage stronger reinvestment activity, including through removing any existing barriers that might disincentivise this?**

Yes, and the Entrepreneur's relief (now BADR) was previously seen as a significant motivating factor. However, the level was reduced in 2020 which has acted as a disincentive to some founders to continue their entrepreneurial journey.

**Q. To what extent does BADR influence decision-making when considering the sale of a business, compared to other factors e.g. market conditions, personal circumstances?**

[No comment]

**Q. Do you consider BADR to be well-targeted at supporting entrepreneurial activity, or are there ways that it could be changed, or a better alternative?**

When the BADR cap was reduced in 2020 there seemed to be a perception by policymakers that most claimants would be unaffected by the reduction, but this is increasingly not the case.

The lower cap does not take into account how business valuations have increased over time. It also constrains serial entrepreneurship given the cap is a lifetime limit rather than imposed on each separate exit.

The BADR cap should be raised back to a higher limit. To accommodate inflation and further future-proof the scheme this should be set higher, to at least £20 million. By encouraging those founders who have successfully started, scaled and exited a business to continue their entrepreneurial journey, the UK will benefit from their expertise and experience as they grow their next company, with the accompanying economic activity this produces through jobs and tax receipts.

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**For more information about Insurtech UK**

As the dedicated trade association for insurtechs in the UK, our members comprise 150+ insurtechs and 40+ partners ranging from insurance companies to professional services firms supporting the sector.

<https://insurtechuk.org/>  
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