

HOW EIS AND SEIS SCHEMES CAN BOOST YOUR BUSINESS



IF YOU'RE THINKING ABOUT INVESTING IN A START-UP BUSINESS THERE ARE SOME HIGHLY GENEROUS TAX RELIEFS AVAILABLE TO YOU.

ENTERPRISE INVESTMENT SCHEME (EIS)

This scheme is not generally available to company directors or employees, nor investors who hold more than 30% of the company's ordinary shares. But it can be advantageous for smaller investors.

There are two main reliefs investors can benefit from, but to do so in full they must hold their shares for at least three years.

BENEFITS:

- **Income Tax** – an investor who qualifies for the relief can claim an income tax reduction equal to 30% of the money invested. The relief is subject to an annual investment limit of £1,000,000.
- **Capital Gains Tax** – provided an investor holds on to their shares for three years, any gain made when they sell those shares will be exempt from capital gains tax.

There are also various conditions a company must meet, including that it must be carrying on a qualifying trade on a commercial basis.

Qualifying trades exclude those involved in the following commercial areas:

- coal or steel production
- farming or market gardening
- leasing activities
- legal or financial services
- property development
- running a hotel
- running a nursing home
- generation of electricity, heat, gas or fuel

In addition, the company being invested in must not be listed and must have gross assets of no more than £15 million before the investment was made.



SEED ENTERPRISE INVESTMENT SCHEME (SEIS)

This scheme is only available to small start-ups that have not been actively trading at any time two years before the shares are issued. The company must also have fewer than 25 full-time employees. Investors who are employees of the company cannot benefit from SEIS, but existing or new directors in the company are eligible.

As for EIS, shares must be held for three years from issue to benefit from the full income tax and capital gains tax reliefs, and no investor can hold more than 30% of the company's ordinary share capital.

TAX BENEFITS

- **Income Tax** – an investor who qualifies for the relief can claim an income tax reduction equal to 50% of the money invested, subject to an annual investment limit of £100,000.
- **Capital Gains Tax** – where income tax relief is available for an investment in SEIS shares, broadly any capital gain realised on a disposal of the shares will also be exempt from Capital Gains Tax.

There are various conditions that a company must meet. These include that the company must be carrying on a qualifying trade on a commercial basis, the company must not be listed and must have gross assets of no more than £200,000 before the investment.

The company can only raise a maximum of £150,000 under the scheme. Funds raised under SEIS must also be used by the company in its qualifying activity within three years.

It is also worth noting that companies can only raise a maximum of £5 million in aggregate under the EIS, the SEIS, the Venture Capital Trust Scheme and certain other state aid investments annually.



TO DISCUSS HOW EIS OR SEIS COULD HELP YOUR BUSINESS, PLEASE CONTACT

Ross Fabian

020 7874 7986

rfabian@hwfisher.co.uk