



Enterprise Investment Scheme /Seed Enterprise Investment Scheme

Introduction

The Enterprise Investment Scheme (EIS) and Seed Enterprise Investment Scheme (SEIS) are both designed to encourage investors to purchase new shares in smaller high-risk trading companies.

The SEIS is available to investors investing in newer, smaller companies. These schemes may therefore be of interest to companies looking to raise investment for their business and wishing to attract new investors.

What are the tax incentives available for investors?

Investors in qualifying EIS / SEIS companies who meet the relevant conditions are able to claim income tax and/or capital gains tax relief on their investment. In the year of subscription, a percentage of the subscription can be offset against the investor's income tax liability, or can be carried to the year before. Any investments on which income tax relief has been successfully claimed can also be exempt from capital gains tax on disposal.

Additionally, if an individual disposes of an asset and reinvests the gain into EIS shares within a certain period, they can claim to defer any capital gains tax on the gain.

If the investor realises a capital gain in 2013/14 and reinvests the gain in SEIS shares during 2013/14 or 2014/15, then half of the capital gain can be exempt. This could potentially result in an extra 14% of tax relief on the investment.

Qualifying Company Criteria

- An unquoted trading company with a permanent establishment in the UK, not controlled by another company
- Must be a qualifying trade – excluded trades include farming, dealings in land / shares.
- Company's assets must be:-
 - EIS - less than £15m before the share issue, and less than £16m after
 - SEIS – less than £200k before share issue, and a maximum £150k investment
- The company must employ less than 250 full time employees (25 for SEIS)
- Cash raised must be used for the trade within 2 years (3 years for SEIS)
- Shares must be full risk ordinary shares and be paid up in full in cash when issued.

What conditions must the investor meet in order to claim the income tax relief and capital gains disposal relief?

1. They (or any associates) must not be an employee of the company, or hold more than 30% of the share capital, throughout a certain period.
2. The investors can subsequently become directors.
3. Shares must be held for 3 years or relief will be withdrawn.

What are the relevant relief amounts for investors?

	EIS	SEIS
Income Tax – % of amount subscribed which can be offset against income tax liability	30%	50%
Maximum subscription amount per investor for income tax relief	£1,000,000	£100,000
Capital gains disposal relief	Yes, if IT relief claimed	Yes, if IT relief claimed
Capital gains reinvestment relief maximum	No maximum	£100,000
Treatment of gain reinvested	Deferred	50% Exempt (2013/14)

Summary

This is only a basic overview of the relief and full advice should be taken before making a claim.

Contact Us

To find out more about the EIS or SEIS schemes, contact us:

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