

# Seed Enterprise Investment Scheme



The Government introduced the Seed Enterprise Investment Scheme (SEIS) to encourage investment in small start-up companies. This scheme can be attractive to investors by offering generous tax reliefs for qualifying investments.

## Tax breaks available under the scheme

- Up-front income tax relief of 50% for subscriptions of shares by investors (with carry-back facility to the previous tax year).
- No capital gains tax on the disposal of scheme shares which are held for more than three years.
- An exemption from 50% of the CGT is available for disposals of assets where the gain is reinvested in SEIS qualifying shares in the same tax year (or treated as so invested using the carry back facility).

In order to be eligible for the scheme, the investment, the company and the investors need to meet certain conditions. As with the Enterprise Investment Scheme (EIS), there are numerous anti-avoidance rules.

Care should therefore be taken and professional advice sought by investors before making investments which they would wish to qualify under the scheme.

## Some of the main company conditions

- The company's qualifying trade must not be more than two years old.
- The same exclusions from 'qualifying trade' as for the EIS, e.g. leasing, property development, etc.
- The company must not be under the control of another company.
- The company must have a permanent establishment in the UK.
- The company must have fewer than 25 full-time employees at the time of the investment.
- The company must have gross assets of not more than £200,000 at the time of investment.
- The company will be able to raise a total of up to £150,000 under the scheme (total and not an annual limit).

## Some of the main investor conditions

- Annual investment limit of £100,000.
- Directors can qualify but employees cannot.
- No substantial interests in the company (broadly interests greater than 30%).

The main limiting factor from the perspective of the company seeking investment is that the amount it can raise under the scheme is limited to £150,000. Companies can however, go on to raise further funds under EIS.



The Seed Enterprise Investment Scheme enhances the tax reliefs available for equity investments in smaller companies.



## About us

Smith & Williamson has been managing the financial affairs of private clients and their business interests for over a century. We are one of the top ten largest firms of accountants\* in the UK.

Our primary aim is to help our clients achieve their financial ambitions, both corporate and personal. Our clients are varied - private individuals, mid-large businesses, professional practices and non-profit organisations. Our business spans across 12 offices in the UK, Jersey and Ireland, with locations in the City of London, Belfast, Birmingham, Bristol, Cheltenham, Dublin (City and Sandyford), Glasgow, Guildford, Jersey, Salisbury and Southampton, and an international capability in over 100 countries through membership of Nexia International (the tenth largest international accounting and consulting network) and Oaklins International Inc.

In a business as diverse as ours, professionalism and teamwork are key. We recognise that clients and intermediaries take comfort from knowing that they can easily reach senior people and decision-makers in our organisation who are able to understand their needs and objectives.

Our business thrives on its people - a pool of highly talented and enthusiastic individuals who deliver a broad and innovative range of services, but without compromising on delivering a genuinely director-led service. Technical excellence underpins how we deliver our services and our teams are dedicated to offering practical financial solutions.

People may ask what sets us apart from our competitors; put simply, it's our people - ambitious, talented and enthusiastic professionals who enjoy what they do and relish the opportunity to work together and with our clients.

## Our Seed Enterprise Investment Scheme Specialists

Our team has extensive experience in advising both companies and investors on their eligibility under venture capital schemes. They have advised on fund raisings by single companies, by approved and unapproved EIS funds and venture capital trusts.



We are one of the top ten largest firms of accountants\* in the UK.

\*According to the latest survey of the market by Accountancy Age magazine, 2016.



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