

## ***A Brief Guide to..... the Seed Enterprise Investment Scheme (SEIS)***

Tax relief is available to qualifying individuals who subscribe cash for qualifying shares in unquoted trading companies with fewer than 25 employees and assets of up to £200,000. The relief was due to end on 5 April 2017 but has been extended indefinitely by the Finance Act 2014.

### **Income tax relief of 50%**

Income tax relief of 50% is available on a maximum individual investment of £100,000. The relief can be claimed in the tax year or carried back to the previous tax year on all or part of the share issue. The relief cannot reduce the tax liability of either year below nil.

### **CGT reinvestment relief**

A capital gains tax exemption is available on gains arising on the disposal of other assets to the extent that the gain is matched with qualifying SEIS expenditure. The exemption can however be reduced or withdrawn if the Seed EIS relief is reduced or withdrawn. However this relief only applies to 50% of the qualifying SEIS expenditure from 2013/14 onwards.

### **CGT on exit**

If the SEIS shares are held for more than three years from the date of issue then any capital gains will not be chargeable but the losses will be allowable, although the base cost for the purpose of computing any gain will be reduced by the SEIS income tax relief given.

### **Eligibility for relief**

#### **Investor**

For an individual to be eligible for relief they must not be connected with the company. This is defined as more than a 30% holding in a company and includes associates' shareholdings. No employees can claim this relief although directors are not treated as employees for this purpose.

If shares are disposed of at a loss an election can be made for the capital loss (less any Income Tax relief given) to be set against other income of the year of the disposal, or income of the previous year, rather than being set off against capital gains as would normally be the case.

#### **Company**

The company can issue SEIS shares up to a value of £150,000 in any three year period. The company must be a trading company and SEIS shares cannot be issued if EIS or Venture Capital Trust shares have been issued on the same day or prior to the issue of SEIS shares.

#### **Timescales**

Tax relief will be withdrawn if the shares are sold within three years of the date of issue of the shares. The relief can also be withdrawn or reduced if any value for the shares is received by the investor.

## **Conclusion**

SEIS is an extremely valuable relief for small start-up companies and prospective investors alike. The summary above provides examples of this but is not exhaustive.

## **Find out more**

For further information, advice and guidance please contact one of our specialists:

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This is a general illustrative guide only, and individual professional advice should be obtained on specific issues. The information is believed to be correct at the time of publication, but may alter.

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