PhilipHare&Associates

Experts in the UK's Venture Capital Tax Reliefs

Venture Capital Tax Reliefs are a key part of the UK Government's strategy to help small and growing businesses raise much-needed capital. We specialise exclusively in this area, advising investors and companies raising finance alike.

INVESTOR Technologies

SEIS

SEIS has been in place since 2012 and since it was introduced the rules have changed several times. The following description of the rules are as they stood immediately following the enactment of Finance Act 2018 with effect from 15 March 2018. This is a simplified summary and doesn't go into all the detail. For more information and before you contact us, we suggest you read HMRC's published guidance.

SEIS for Investors

You can invest up to £100,000 a tax year in new shares in SEIS-qualifying companies to benefit from income tax relief at 50% of the amount invested. You must hold the shares for a qualifying period of at least 3 years.

After the qualifying period you may benefit from capital gains tax disposal relief on any shares disposed of at a profit.

You may also offset losses on disposal of the shares, either against capital gains or (in some cases) income, net of any income tax relief retained.

You and your associates must not be connected with the company by employment (although directors may qualify), or have more than a 30% stake in the company. The relief is also subject to some anti-avoidance rules.

You can also write off up to half of an existing capital gains tax charge if you re-invest the gain in SEIS-qualifying shares.

Before you can claim most of these reliefs, HMRC first has to certify that the company invested in, and the share issue, meet all the requirements. Some of the tests have to be met throughout the 3 year qualifying period for the shares, or HMRC will recover

SEIS for Companies

To be eligible for SEIS investment, a company meet all the conditions including:

- Must carry on a 'new qualifying trade', being one which has not been carried on by either the company or by any other person for longer than two years at the date of issue of the shares; and where neither the company nor any qualifying subsidiary had carried on any other trade before the company in question began to carry on the new trade
- Must have fewer than 25 employees.
- Must have no more than £200,000 in gross assets.
- Must not be quoted on a recognised stock exchange.
- Must never have been controlled by another company.

The above rules apply to the group if the company is part of a larger group.

Shares issued under SEIS must be ordinary non-redeemable shares, with no preferential rights to assets in a winding up and limitations on preferential rights to income. Additionally, a company cannot raise more than £150,000 finance in total through SEIS (and certain other publicly funded support also has to be taken into account). Additional later fundraising may qualify for EIS.

Money raised through SEIS must be used for a qualifying trading activity (including preparations for trade) or for research and development intended to benefit such a trade. All SEIS investments made on or after 15 March 2018 must meet the 'risk to capital' condition.

Most trades qualify, but some don't. See HMRC's website for a full list of excluded activities.