



HM Revenue
& Customs



SEED Enterprise Investment Scheme

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SEIS Background

- “Seed support” first announced at Budget 2011
- Part of Government Growth agenda
- Complements existing Enterprise Investment Scheme
- Draft legislation consulted on
- Starts April 2012



Existing tax-advantaged schemes

- Enterprise Investment Scheme (EIS)
 - Introduced 1994
 - Raised £8.1bn for small and medium companies
- Venture Capital Trust (VCT) scheme
 - Introduced 1995
 - Raised £4.3bn for small and medium companies

Tax reliefs for investors in shares - SEIS



- Income tax relief – 50% of investment (max annual investment £100,000)
- May elect for earlier year relief (not 2012/13)
- Capital gains tax 2012/13 exemption
- No capital gains on disposal of SEIS shares at a gain

2012/13 CG re-investment relief

- Applies only to shares which also qualify for income tax relief
- Subject to same £100K investment limit
- Gains are exempt if both realised and re-invested in 2012/13 – not necessarily in that order
- If IT relief withdrawn or reduced, so is CG relief



Shares conditions

- Must be ordinary shares which are subscribed for
- Must be fully paid up on issue
- Not redeemable
- No preferential rights on winding up
- Some preferential rights to income allowed

Investor conditions

- Max £100,000 annual investment
- Must not have more than a 30% stake (inc. associates)
- Must not be an employee of the company
- Directors can qualify providing holding doesn't exceed 30%
- Must hold shares for at least 3 years from date of issue

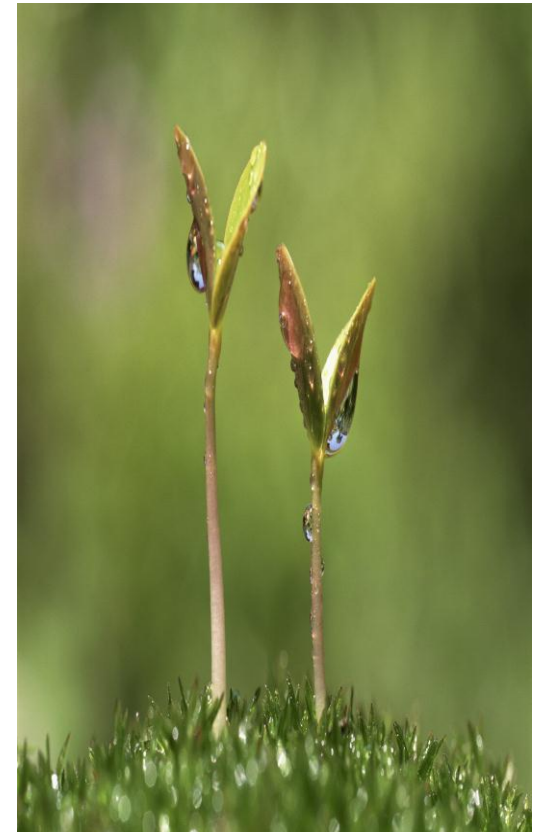
Company conditions – size/structure

- Gross assets no more than £200K before investment (no 'after' limit)
- Must be unquoted at time of investment
- Fewer than 25 employees
- May have subsidiaries
- May not be in partnership



Company conditions – investment limit

- £150,000 in total (not annual)
- Relief apportioned if limit exceeded



Company conditions - activities

- The carrying on of a **new qualifying trade**
- The activity of preparing to carry on a new qualifying trade
- Carrying on of R&D which will lead to or which will benefit, a new qualifying trade

Company conditions – new qualifying trade

- A trade is “new” if it’s no more than 2 years old at date of issue of shares
- May be acquired from another person – but still no more than 2 years old
- Company must not have carried on an earlier trade



Company conditions - trade

No time limit for
commencement



Excluded activities

- dealing in land, commodities or futures, securities or other financial instruments
- dealing in goods, other than in an ordinary trade of retail or wholesale distribution
- financial activities (banking, insurance, money-lending, debt-factoring, hire-purchase financing or any other financial activities)
- leasing or letting assets on hire
- receiving royalties or licence fees
- providing legal or accountancy services
- property development
- farming or market gardening
- holding, managing or occupying woodlands, any other forestry activities
- shipbuilding
- coal production or steel production
- operating or managing hotels or comparable establishments
- operating or managing nursing homes or residential care homes
- Generating or exporting electricity attracting feed-in tariffs (from April 2012)
- providing services to an excluded business, where both in same control

Company conditions – use of monies raised



- Must be **spent** for purposes of qualifying business activity
- Must be spent by the 3rd anniversary of share issue
- Insignificant use for another purpose ignored
- Insignificant amount left unspent, also ignored

Company approval process

- HMRC administers the scheme
- Company can apply for formal approval at the earlier of:
 - Having spent at least 70% of monies raised, or
 - Having traded for at least 4 months



Interaction with EIS/VCT

- Can't have SEIS investment if already had EIS/VCT investment
- Can have SEIS then EIS/VCT, but only when 70% SEIS monies spent



Key differences EIS v SEIS

- Directors may qualify
- No time requirement for commencement of trade (providing “new”)
- Monies to be “spent” rather than “employed” (and insignificant amount unspent, ignored)
- CG 2012/13 holiday rather than deferral relief
- Company may apply to HMRC for statutory approval before trade commenced

Further information

<http://www.hmrc.gov.uk/seedeis/index.htm>

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Thank you