SEIS SEED ENTERPRISE INVESTMENT SCHEME

COMPANIES

- **The SEIS scheme offers investors a 50% rebate via their personal tax so is very important in raising the chances of start-up companies securing investment.**
- Both the **company** and the **investment** must meet certain key criteria to qualify in respect of the business stage, sector, type of investment and, type of shares and timing of the issue of shares.
- The investment (company) must meet the **qualifying criteria for the first three years** of the business. (IE. Any change in the company's business purpose or sector must continue to qualify and be reported to HMRC)
- **Equity** investments in the form of Ordinary shares only qualify. Loans and other forms of "pseudo" equity do not qualify. The investment must rank alongside the founder's investment and have no preferential treatment. SEIS is aimed at mitigating risk not removing it.
- **Shares** can carry **modest dividends** which should be rolled up during the 3-year qualifying period, but cannot be Preference shares.
- **SEIS ONLY** applies to companies **less than two years old** (possible exceptions in terms of definition of trading). It is specifically aimed at the start up business stage and high risks associated with it.
- The **maximum investment** a company can receive under the scheme is **£150,000**.
- **SEIS** can form the foundation to **further tax relief** under the Enterprise Investment Scheme for investments from £15,000 onwards (EIS/30% relief).
- Companies should seek **Advanced approval** from HMRC if they are seeking to qualify. This is not compulsory but many investors and all SEIS funds require it before they will look at an investment.
- Advanced approval – see link for details: https://www.gov.uk/government/publications/enterprise-investment-scheme-advance-assurance-application-eisseisaa

INVESTORS

- **Investors also need to understand the qualifying criteria for SEIS tax relief BEFORE MAKING AN INVESTMENT. It is therefore advisable to take professional advice when considering an investment. The fact that a company has Advanced Approval is not sufficient.**
- The **maximum** investment in any one tax year that an individual investor can qualify for tax relief is **£100,000. This can be in a single company or multiples.**
- **Advanced Approval considers:**
  - The company is **expected** to qualify
  - The shares being issued can meet the definition of **eligible**
  - The shares being issued and money raised are for **qualifying business activities**
  - **The investment is to be used in the qualifying company only.**
- **Beware of investing in subsidiaries.** Whilst a group of companies may have several qualifying businesses only one will receive the tax relief.
- **A single investor cannot take more than 30% of the company's equity.** Multiple investors however (syndicates) can utilise their individual 30% allowance. Ie. Two investors could theoretically take 60% stake.
- **Shares must be paid in full and in cash when they are issued.**
- Shares must be paid for before they are issued by the company to investors.