

EIS & SEIS Investments: Unlocking Tax Advantages

This factsheet offers an overview of the Enterprise Investment Scheme (EIS) and Seed Enterprise Investment Scheme (SEIS), designed as informational tools for investors in early-stage companies. Compiled by Trident Tax's experts, it provides key facts regarding EIS and SEIS, their tax implications, and other considerations.

We strongly recommend seeking tailored UK tax advice and financial advice before investing in EIS and SEIS qualifying investments.

Overview

The Enterprise Investment Scheme (EIS) and Seed Enterprise Investment Scheme (SEIS) are statutory sets of reliefs available for investors subscribing for shares in early-stage companies meeting specific conditions. They offer valuable reliefs from income tax and capital gains tax both when investing and when disposing of the investment.

Key Tax Reliefs

Main tax reliefs

- ▶ **Capital Gains Tax Exemption:** No capital gains tax on the gain from the disposal of such shares after they have been held for at least 3 years, provided the shares continue to meet the conditions until disposal.
- ▶ **Income Tax Relief:** Investors can claim UK income tax relief based on the amount invested, with the relief being 30% for EIS and 50% for SEIS. This relief can be withdrawn if the shares are sold within 3 years or if qualifying conditions are not met throughout the period.

Further tax reliefs

- ▶ **Loss Relief:** If the shares are disposed of at a loss, the loss can be relieved against income tax (after deducting the amount already relieved), providing loss relief at up to 45% rather than 24% against capital gains.
- ▶ **Capital Gains Tax Deferral:** Investors can defer tax on other non-EIS/SEIS gains by reinvesting in EIS/SEIS shares within a given timeframe. If an investor ceases to be a UK tax resident, deferral relief claimed on shares issued in the three tax years before departure will be clawed back.

Relief Against Income Tax of the Previous Year

- ▶ Investors can claim income tax relief in the previous tax year. For instance, an investment in the 2024/5 tax year can claim relief for 2023/4.



Obligations of the issuing Company

Investors need a form EIS3 to claim tax relief. This is issued by HMRC after the company submits the appropriate forms. Investors should seek “advance assurance” from HMRC for confidence that the subscription will qualify.

Investment limits

EIS

An individual can invest up to £1,000,000 per tax year. This limit can be extended to £2,000,000 if at least £1,000,000 of the investment is in “knowledge-intensive companies”.

SEIS

An individual can invest up to £200,000 per tax year.

Investments in small trading companies are higher risk, and most investors subscribe significantly less than this per year.

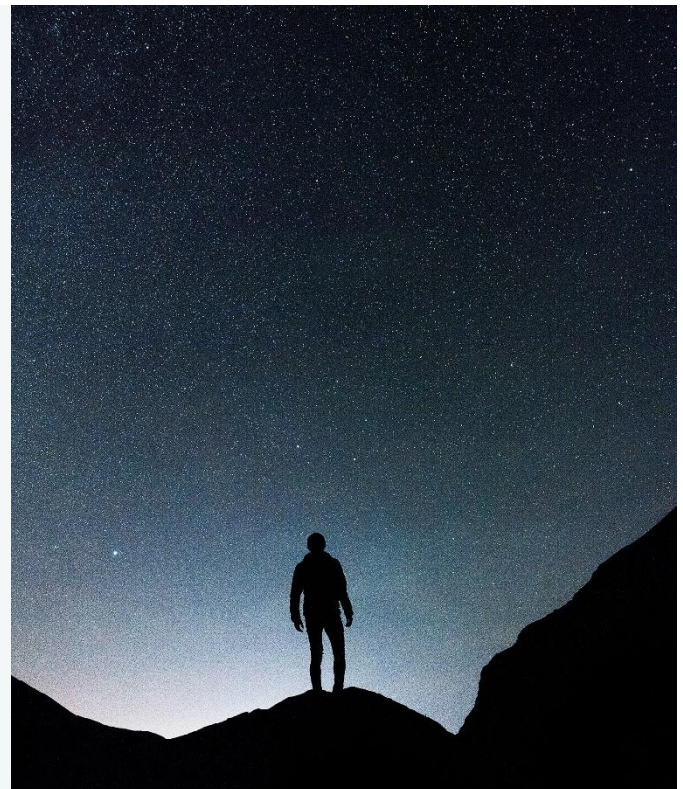
Practicalities of holding EIS/SEIS Share

Further Funding: Early-stage companies often require regular funding, and shareholders not providing additional finance may see their holdings diluted.

Control Limitations: EIS/SEIS shareholders cannot control the company and cannot prevent actions that might cause loss of tax reliefs.

Unlock Your Vision with Trident Tax's Expert Guidance on EIS and SEIS

At Trident Tax, we specialise in providing tailored UK tax advice to investors in early-stage companies concerning EIS and SEIS. Whether you need assistance with compliance or exploring tax efficiencies, our experts are here to guide you.



Our advice is defined by our knowledge and refined by our experience.

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