



Seed Enterprise Investment Scheme

The Finance Bill 2012 introduced a start-up version of the Enterprise Investment Scheme, known as the Seed Enterprise Investment Scheme (SEIS).

SEIS will apply to shares issued on or after 6 April 2012, but before 6 April 2017.

Requirements

The requirements are similar to that of the EIS, but have lower monetary limits.

The main points to note are:

- (i) income tax relief of 50% is available on the amount invested;
- (ii) the maximum investment per tax year per investor is GBP100,000 - the maximum that a company can raise through SEIS is GBP150,000.
- (iii) the investor cannot be an employee of the investee company from the date beginning with the incorporation of the company and ending with the third anniversary of the date the shares were issued to the investor (the qualifying period), however, he can be a director;
- (iv) the investor cannot own more than 30% of the issued share capital or be lent any sum from the the company during the qualifying period which would not have been made at all (or would not have been made on the same terms) if the investor had not subscribed for shares;
- (v) the money raised must be for the purposes of the qualifying business actively carried on by the company;
- (vi) the money must be spent by the third anniversary of the date of issue of the shares; and
- (vii) the investor company must be unquoted, incorporated within two years prior to the investment, have a permanent establishment in the UK, be independent and not control any other company, have fewer than 25 employees and gross assets of less than GBP200,000, and not have received any previous EIS or VCT investment.

Investors and companies should not forget that, like EIS, reliefs can be clawed back and/or lost if the company ceases to qualify for SEIS during the qualifying period . Continued compliance with the requirements of the scheme must be carefully policed.

Summary

This is an extremely generous scheme which may not be around for long. Qualifying investors are entitled to income tax relief of 50% on their investment in the year of the investment, there is a complete capital gains tax exemption on gains made in 2012/13 which are re-invested in the same year under the SEIS scheme, and gains arising on shares on which SEIS relief has been claimed are exempt from capital gains tax.

Buckworth Solicitors is the trading name of Buckworth Legal Services Limited which is a limited company incorporated in England with registered number 7541905 and registered address at Berkeley Square House, Berkeley Square, Mayfair, London W1J 6BD. It is a body recognized and regulated by the Solicitors Regulation Authority in the UK including for any incidental services relating to investments, insurance and mortgages with registered number