Armstrong & Co Chartered Accountants, Auditors & Business Advisors

4A Printing House Yard, London E2 7PR T: 0207 613 2586 E: mail@armco.co.uk

Seed Enterprise Investment Scheme

Legislation is being introduced to provide for a new tax advantaged venture capital scheme, similar to the Enterprise Investment Scheme (EIS).

The new scheme – the Seed Enterprise Investment Scheme (SEIS) – will be focused on smaller, early stage companies carrying on, or preparing to carry on, a new business in a qualifying trade. The scheme will make available tax relief to investors who subscribe for shares and have a stake of less than 30 per cent in the company.

The relief will apply to shares issued on or after 6 April 2012.

The SEIS will:

- apply to smaller companies, those with 25 or fewer employees and assets of up to £200,000, which are carrying on or preparing to carry on a new business;
- give income tax relief worth 50 per cent of the amount invested to individual investors with a stake of less than 30 per cent in such companies, including directors who invest in their companies;
- apply to subscriptions for shares, using the same definition of eligible shares as EIS (which it is proposed will be widened in Finance Bill 2012);
- apply to an annual amount of investment of £100,000 per investor, with unused annual amounts able to be carried back to the previous year, as under EIS;
- provide for relief within an overall tax favoured investment limit of £150,000 for the company. To give the greatest degree of flexibility, this will be a cumulative limit, not an annual limit;
- provide for an exemption from CGT on gains on shares within the scope of the SEIS;

Capital Gains Tax holiday

For the first year of the new scheme, the Government will offer a capital gains tax (CGT) holiday – gains realised on the disposal of assets in 2012-13 that are invested through SEIS in the same year will be exempt from CGT.