EIS and SEIS: Tax Efficient Investing

An Introduction

Where a start-up or SME company is looking for external investment, and one or more individuals are looking for investment opportunities

The company qualifying conditions include the following:

- it must be a trading company or holding company of a trading group, which isn't controlled by another company; and
- which doesn't carry on an 'excluded activity' to a substantial extent ('excluded activities' includes among others banking and certain financial activities, property development, dealing in land, and providing insurance); and
- see the table below on certain limits on size of the company, which differ for EIS and SEIS.

Yes, for both EIS and SEIS; the company can also apply to HMRC for advance assurance, prior to the investment, that it will satisfy the company qualifying conditions.

There are some disqualifying trigger events set out in the legislation which can lead to a clawback or loss of the tax reliefs for the investor These should be monitored during the qualifying period of share ownership.

We have set out a comparison by way of brief headlines on some of the key points on the tax reliefs and qualifying conditions for EIS and SEIS in the table below[1]. If you would like further details or advice, please contact us.

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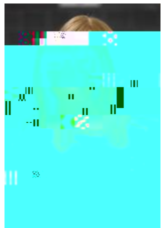

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[1] Neither that table nor the other comments in this introductory note are an exhaustive list of all the various EIS and SEIS qualifying conditions, which should be checked in advance of any investment. They are not intended to be specific advice for any individual, company or other party, and are subject to any subsequent changes in law.