SEEDRS

EIS AND SEIS COMPARISON TABLE

INTRODUCTION

In an attempt to stimulate entrepreneurship, the Government provides two very lucrative tax incentives for investing in startup companies.

The Enterprise Investment Scheme (EIS) has been around for a few years and has proven to be a significant enabler for encouraging private investment in small companies, providing up to 30% in tax reliefs for investing in qualifying companies.

In addition to EIS, the Government has recently introduced the Seed Enterprise Investment Scheme (SEIS), encouraging investment into new, seed-stage startups. SEIS provides a higher rate of income tax relief of 50% for individuals who invest in qualifying seed companies, and for 2012-2013 there's an additional CGT relief that can bring the total effective relief to 78% of the amount invested.

These schemes are incredible opportunities for active investors and those looking to support their friends and family, and Seedrs offers a simple and straighforward way to invest in a wide range of EIS and SEIS eligible companies.

The following is a breakdown we've compiled to help explain the two schemes. For more detailed information, and to understand whether you may be eligible for these reliefs, you should contact your professional tax advisor.

COMPANY

	EIS	SEIS
Qualifying Trades	/ Must be conducted on a commercial basis with the aim of making profit. / Must not consist wholly or substantially of excluded activities (e.g. banking, leasing assets, property development).	/ Must be a genuinely new trade (less than 2 years old) and the first trade embarked on by the company. / Must not consist wholly or substantially of excluded activities (e.g. banking, leasing assets, property development).
Qualifying Company Requirements to be met CONTINUOUSLY from Date of Incorporation	/ No requirements.	/ Must not be controlled by a parent. / Must not be part of a partnership. / Must own at least 50% of ordinary share capital of subsidiaries and be in full control of any subsidiaries.
Qualifying Company Requirements at TIME of issue	/ Gross Assets maximum of £15million before share issue. / Gross Assets maximum of £16million after share issue. / Fewer than 250 employees. / EIS relief is available with respect to a company that has received SEIS relief, provided that 70% of the SEIS investment has been spent. / Must not be in financial difficulty at the time of the issue (although there is a presumption against financial difficulty during the first 3 years of the company's existence).	/ Gross Assets maximum of £200,000 before share issue. / Only £150,000 of investment can qualify for relief. / Fewer than 25 employees. / SEIS relief is not available with respect to any company that has previously received EIS relief.

	EIS	SEIS
COMPANY (cont'd) Qualifying Company Requirements to be met CONTINUOUSLY from date of issue	/ Must have permanent establishment in the UK. / Must not be controlled by a parent. / Must own at least 50% of ordinary share capital and be in full control of any subsidiaries. / Must exist wholly for the purpose of carrying on a qualified trade.	/ UK tax resident or have a permanent establishment in the UK. / Must exist wholly for the purpose of carrying on a qualified trade.
SHARES Qualifying Shares Requirements	/ Must be paid in full and in cash at time of issue. / Must be non-redeemable ordinary shares and any preferential rights must be non-cumulative, non-discretionary and at a fixed rate. / Must be no risk protection for investors. / No arrangement to sell the shares in the future. / Must be no loan made in connection with the acquisition of the shares.	/ Must be paid in full and in cash at time of issue. / Must be non-redeemable ordinary shares and any preferential rights must be non-cumulative, non-discretionary and at a fixed rate. / Must be no risk protection for investors. / No arrangement to sell the shares in the future. / Must be no loan made in connection with the acquisition of the shares. / No reciprocal arrangements.
Money Raised	/ Must spend all the money raised on a qualifying business activity within 2 years of the share issue or the trade commencing (whichever is earlier). / Qualifying business activity can consist of relevant preparation and R&D leading to a qualifying trade as well as carrying on the trade itself.	/ Must spend all the money raised on a qualifying business activity within 3 years of the share issue. / Qualifying business activity can consist of relevant preparation and R&D leading to a qualifying trade as well as carrying on the trade itself.

	EIS	SEIS
SHARES (cont'd) Money Raised	/ Company must have traded or carried on qualified R&D for 4 months before a claim for approval can be made.	/ Company must use 70% of the money before a claim for relief can be made.
INVESTOR Qualifying Investor Requirements	/ Must not have a significant interest in the company either through himself or any connected persons. / Must not be employed by the company. Directors are permitted so long as their remuneration does not start until after acquisition of shares.	/ Must not have a significant interest in the company either through himself or any connected persons. / Must not be employed by the company. However they can be a Business Angel. Note that Directors are not classified as employees.
Income Tax Relief	/ 30% of the cost of the shares. / Can invest up to £1 million per year. / Carry back facility. / Must hold for at least 3 years after issue or, if later, after qualifying trade started, to retain relief.	/ 50% of the cost of the shares. / Can invest up to £100,000 per year. / Carry back facility for 2013/2014 onwards. / Must hold for at least 3 years after issue to retain relief.
Loss Relief	/ Where shares are sold at a loss, the loss (less any income tax relief) can be set against income of the year of disposal/previous year rather than set against any capital gains. This applies to pre-trading/R&D stage companies as well as trading companies.	/ Where shares are sold at a loss, the loss (less any income tax relief) can be set against income of the year of disposal/previous year rather than set against any capital gains, provided that the company is a trading company.

INVESTOR (cont'd)

	EIS	SEIS
Capital Gains Tax Deferral Relief	/ Must dispose of an asset giving rise to a chargeable gain and reinvest all or part of the gain in qualifying shares. / Investment must occur 1 year before or 3 years after the disposal. / The CGT charge is then deferred.	/ No relief (but it is expected that deferral relief will begin in 2013/2014 after re-investment relief expires).
Capital Gains Tax Re-Investment Relief	/ No relief.	/ Must dispose of an asset giving rise to a chargeable gain and reinvest all or part of the gain in qualifying shares. / Both disposal and investment must occur in 2012/2013 (relief applies for just this tax year). / Amount reinvested is exempt from CGT.
Capital Gain Disposal Relief	/ Must fulfil income tax relief conditions. / On disposal of shares (provided held for 3 years) any gain is not subject to CGT.	/ Must fulfil income tax relief conditions. / On disposal of shares (provided held for 3 years) any gain is not subject to CGT.
Business Property Relief	/ Where shares are held for 2 years, they will qualify for Business Property Relief and therefore fall outside of the investor's estate for the purpose of inheritance tax.	/ Where shares are held for 2 years, they will qualify for Business Property Relief and therefore fall outside of the investor's estate for the purpose of inheritance tax.

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