



Are you an investor or company that is thinking about using the Enterprise Investment Scheme?

IF YOU ARE, YOU NEED TO TALK TO WILSON WRIGHT; A CENTRAL LONDON FIRM OF ACCOUNTANCY PROFESSIONALS THAT HAVE BEEN PROVIDING A HIGH-QUALITY PERSONAL SERVICE SINCE 1893.

Enterprise Investment Schemes (EIS) and Seed EIS (SEIS) were established to encourage investors to invest in small unquoted trading companies. There are a number of rules in place for the company to qualify for EIS. The company must not have gross assets of more than £15 million before the share issue, and it must have fewer than 250 full-time employees. For SEIS, the company cannot have been trading for more than two years, its gross assets must not exceed £200,000 and it must have fewer than 25 employees.

Importantly, the investor cannot be connected to the company. This includes anyone who is an employee, paid management committee member, or large shareholder (defined as holding more than 30% of the share capital) of the enterprise, or anyone who is an associate (such as a spouse or civil partner, lineal ancestor or descendant) of such a person. However, there is an exception for directors who are called 'Business Angels'. These individuals can be appointed as a company director and paid for their services, though they cannot have previously been involved in carrying on the company's trade at the time it issued the relevant shares.

The company cannot raise more than £150,000 under SEIS and cannot raise more than £5 million under EIS in any rolling 12-month period.

Should all of the qualifying conditions be met, the investor may qualify for Income Tax relief.

INVESTORS:

Income Tax relief is given to an investor of a qualifying company at a flat rate of 50% for SEIS and 30% for EIS of the amount subscribed for fully paid up, newly issued shares. The annual limits are £100,000 for SEIS and £1 million, increased to £2 million where at least £1 million is invested into "knowledge intensive" companies, for EIS. This means that an SEIS/EIS investment could lead to an Income Tax credit of up to £50,000 or £600,000 respectively.

In addition, the proceeds generated on the disposal of EIS and SEIS shares are exempt from Capital Gains Tax (CGT) providing that Income Tax relief has been claimed.

A further CGT advantage may be obtained if an investor has realised a capital gain within 12 months after, or 36 months before, the SEIS/EIS qualifying investment. A proportion of the capital gains arising in that period may be able to be exempted under SEIS or deferred under EIS. In addition, capital gains which qualify under Entrepreneurs' Relief (ER) can be deferred under EIS and will remain eligible for ER when the deferred gain is subsequently realised.

In summary, the tax advantages provide investors with income tax relief which ultimately reduces the cost of the investment, exemption from tax on capital gains, deferral of wider capital gains and tax relief against an income should a loss arise.

EIS STEP-BY-STEP PLAN:

With that in mind, if you have decided that EIS is for you, what happens next?

The Small Companies Enterprise Centre (SCEC) offer advance assurance that HM Revenue & Customs (HMRC) agree that a company qualifies for EIS

under the provisions set out in law. Wilson Wright's Advance Assurance (AA) report assists clients with the relevant legislation and the firm will discuss this in detail. An opinion from HMRC is based upon the information provided to them. Wilson Wright will ensure the application contains the relevant disclosures to provide comfort to the company and its investors, that the HMRC advance assurance is robust.

Wilson Wright can assist the company in preparing the necessary EIS1 forms, as well as the statutory compliance work needed to allot and issue the EIS shares. Wilson Wright can also prepare the EIS3 certificates for investors, which are required for them to claim their tax relief. Finally, Wilson Wright supports the company through the entire three-year qualifying period, and beyond, to ensure that its EIS status is not affected by any commercial changes.

WHY WILSON WRIGHT?

If you are interested in learning more about EIS and SEIS, please contact Wilson Wright. Their eight partners have a wealth of knowledge and, being general practitioners, they are happy to assist with all aspects of clients' affairs including EIS and SEIS. The services offered by Wilson Wright focus on four core areas; corporate services, private client services, international services and company formations and secretarial.

To find out more about what they can do for you, visit: wilsonwright.com or call 020 7832 0444



MEET THE TEAM

If you require further information or guidance on any of the matters in this guide, do not hesitate to contact the Wilson Wright team.

For full details of our services please visit wilsonwright.com or call 020 7832 0444.

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