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Chartered Accountants  
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# Seed Enterprise Investment Scheme



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# What is SEIS?

- ▲ SEIS is designed to help small, early-stage companies raise equity finance by offering great tax efficient benefits to individual investors to encourage them to purchase new shares in such companies

## How does SEIS work?

- ▲ It provides income tax & Capital Gains Tax (CGT) reliefs for individuals who subscribe in cash for qualifying shares in qualifying companies
- ▲ Individuals may invest up to £100,000 per tax year in qualifying companies, gaining income tax relief of 50% of the amount invested. Up to 50% of capital gains made by the investor on any asset sold may also be exempted from Capital Gains Tax by making an SEIS investment

The SEIS shares themselves will be exempt from Capital Gains Tax if held for at least 3 years before sale

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As there are rich rewards to be reaped, strict qualifying criteria must be met by both the investor and company to obtain the full benefit - brief details are set out over these two pages:

## Qualifying Investor:

- ▲ Stake in SEIS company must be less than 30%  
- shares held by the investor's spouse and certain family members will be treated as the investor's shareholding
- ▲ Directors can invest in their own company
- ▲ Does not need to be UK resident but must have a UK tax liability to benefit from the reliefs



## Qualifying company must:

- ▲ Be carrying on or preparing to commence a new business
  - i.e. one which is less than 2 years old
- ▲ In a qualifying trade
  - trades which do not qualify include those dealing in shares, land, operation of hotels and nursing homes
- ▲ Have 25 or fewer employees and assets of up to £200,000
- ▲ Be unquoted and have no previous SEIS share subscriptions
- ▲ Have a permanent establishment in the UK
  - the company does not have to be incorporated here
- ▲ Maximum investment limit of £150,000 over a 3 year period under the scheme



## Case 1: The company does well and doubles in value

- ▲ Investment = £10,000
- ▲ Income Tax Relief = £5,000  
(you get 50% of your investment back as a tax bill reduction)
- ▲ Profit from sale = £10,000
- ▲ Capital Gains Tax = £Zero  
(if you have held the shares for three years)
- ▲ Tax free return = £15,000

## Case 2: After three years the company's value is the same

- ▲ Investment = £10,000
- ▲ Profit from sale = £Zero
- ▲ Your gain = £5,000 reduction in your income tax bill

## Case 3: The company folds and the shares hold no value

- ▲ Investment = £10,000
  - ▲ Income Tax Relief = £5,000  
(you get 50% of your investment back as a tax bill reduction)
  - ▲ At risk capital = £5,000
  - ▲ Loss relief = £2,250 (45% of at risk capital)
  - ▲ Your actual loss = £2,750 ( $£10,000 - [£5,000 + £2,250]$ )
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If you are interested in making an investment to benefit from the scheme, or are interested in raising finance for your own company under SEIS, contact us for further advice.

We have extensive experience of these schemes and offer a free initial consultation.

For further information regarding the Seed Enterprise Investment Scheme please contact

Philippa Baker  
pbaker@mcwallace.co.uk

Liz Elliott  
lelliott@mcwallace.co.uk

T: 0151 647 6681

[www.mcwallace.co.uk](http://www.mcwallace.co.uk)

68 Argyle Street, Birkenhead  
Wirral CH41 6AF

T: +44(0) 151 647 6681

F: +44(0) 151 666 2115

E: [enquiries@mcwallace.co.uk](mailto:enquiries@mcwallace.co.uk)

W: [www.mcwallace.co.uk](http://www.mcwallace.co.uk)



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