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ENTERPRISE INVESTMENT SCHEME AND SEED ENTERPRISE INVESTMENT SCHEME EXPLAINED

The government's Enterprise Investment Scheme (EIS) and Seed Enterprise Investment Scheme (SEIS) are two programmes designed to help nascent and growing businesses attract investment. Both of the schemes are great ways for small businesses to thrive in a difficult market, as they provide all-important tax breaks for investors. Indeed, putting one's money into small businesses can be risky, so the government introduced the scheme to give a helping hand to organisations not yet fully established on the stock market.

How does the EIS work and what are its eligibility criteria?

The EIS allows offers tax relief to individual investors buying new shares in a company that is part of the scheme. The business's owners can raise up to £5 million every year in this way, with a maximum of £12 million in the company's lifetime.

The scheme stipulates that investors can claim and retain EIS tax relief relating to their own shares. Relief can be withheld or withdrawn from investors who do not follow the rules for at least three years following the initial investment.

Eligible businesses for the EIS must be established in the UK, and cannot be controlled by any company other than qualifying subsidiaries.

The company and such subsidiaries should not possess gross assets that are worth over £15 million before the issue of shares, and should not possess over £16 million directly prior to this. The organisation should also have fewer than 250 full-time employees working for them at the time that shares are dealt out.

How does the SEIS work and what are its eligibility criteria?

The SEIS is a governmental venture capital scheme for businesses that may not have quite reached the same level of growth as those eligible for EIS, as it is designed to help raise money when a company is only just starting to trade. Like the EIS, it offers tax relief to individual investors hoping to purchase new shares in a given company.

Eligible companies should receive a maximum of £150,000 on which investors can claim relief, and includes any other help from the state received over the last three years.

In terms of eligibility criteria, businesses hoping to make use of the SEIS should have been trading for less than two years, and have less than £200,000 worth of assets.

What are the advantages of investing in small businesses?

Fortunately for small businesses, investing in up and coming companies has much to recommend it. While there is a degree of risk involved, and investors are more likely to lose their money, there is a far greater chance of making a very high return. Investing in small businesses is one of the best ways to double, treble or quadruple one's money.

How businesses and investors can get involved with the scheme?

Any businesses owners hoping to make the most of EIS and SEIS should apply to HMRC with their relevant details. Once approved, they can send their compliance certificates to investors to prove their status and allow them to claim tax relief.

For more advice on how EIS and SEIS could work for your business, speak to us at Highwoods & Associates today.

About Highwoods & Associates

At Highwoods & Associates, we maintain a high level of personal relationship with our clients thereby ensuring a wider range of interaction which raises trust and long-term commitments from our clients.

Our clients do not feel on their own because we do not only help with financial accounting but also on developing businesses and making taxation decisions for your organisation. This proves to be a major help since it is provided by professionals who have the know-how on facing and solving entrepreneurship and taxation hiccups in a reliable way.

In all our activities, we encourage clients to express their views and strive to create an inviting environment and atmosphere for them to do so comfortably.

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