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Enterprise Investment Scheme (EIS)

What is Enterprise Investment Scheme Tax Relief?

Enterprise Investment Scheme (EIS) tax relief is a **generous tax break available to incentivise individuals to invest in small and medium sized UK businesses**. Although this relief has been around in various guises for many years, it has recently become more beneficial and available to many more companies as part of HM Treasury's drive to assist small and medium companies to grow by attracting equity investment.

How much can I invest?

You can invest £1,000,000 per annum in EIS qualifying investments*. If EIS Income Tax relief is to be claimed, you (and individuals associated to you) cannot be more than a 30% shareholder in the company.

How much can I claim?

The benefits take two forms: Income Tax relief and Capital Gains Tax relief. Each is explained below:

Income Tax Relief

- Investor entitled to **30% Income Tax relief on investment**, subject to having an Income Tax liability of at least 30% of the amount invested in the year of investment and/or the previous year.
- If the investment subsequently fails, there may be scope to claim the balance of the investment against Income Tax, which could be worth a further 31.5% of the investment value, depending on the investor's income tax rate.

Capital Gains Tax Relief

- Investor entitled to **Capital Gains Tax deferral on any gain**, to the extent that the gain value is reinvested in an EIS investment. The gain that is being deferred must arise in the period either three years before or one year after the date of the EIS investment
- If the investment subsequently succeeds, and is sold for a gain after the qualifying period (usually 3 years) there will be **no CGT on the gain on the disposal** of the EIS shares, provided that income tax relief was claimed, but the previously deferred gain will come back into charge

Can any company receive EIS investment?

No. Only certain micro, small or medium sized companies, which have been trading for at least 4 months in certain approved sectors or certain research and development activity, will qualify to receive EIS investment. The table below details the size of companies* qualifying for the EIS scheme.

	EIS
Investment limit	£5,000,000 per annum
Gross assets	< £15,000,000
Employees	≤ 250

There is also a new Seed EIS (SEIS) scheme for micro companies. The reliefs available under this scheme are more beneficial, but more limited in scale, for investors in these businesses. Consideration should be given to which scheme is of most benefit to you.

How can a company claim EIS status?

1. The first stage is to request advance assurance from HM Revenue & Customs (HMRC). This is not compulsory, but is often a preferred route for a company looking for assurance that it has a qualifying investment opportunity.
2. The second stage is to obtain official clearance on the qualifying status of the company. Once this is received, the company can issue its investors with certificates of EIS investor status which will allow the investors to submit their claim for Income Tax and/ or CGT deferral relief to HMRC.
3. It is then important to monitor the company's activity to ensure that it does not breach the EIS rules in the qualifying period imposed by HMRC.

How can Chiene + Tait help?

Chiene + Tait has extensive experience in preparing EIS claims for submission to HMRC. Using our experts will save you time and maximise your chances of a successful result.

We will advise you whether you are likely to qualify and contact HMRC to obtain the advance assurance clearance. We understand that you will want to mitigate your investment risks as far as possible and involving us early will minimise risks.

We have also extensive experience in helping businesses obtain funding and investment. If you are a business owner, we can assist with preparing financial projections and investment prospectuses to attract investment. We appreciate that you may want certainty over the cost of making EIS tax relief claims before proceeding. Chiene + Tait can offer a range of fee structures to fit your company's requirements and size of your business.

➤ Information correct at April 2019

*There are higher individual and company limits for companies which qualify as "knowledge – intensive". Please contact us if you require more information on this.

For further information, please contact:

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