

SEIS Income Tax Relief

If an SEIS qualifying investment is held for at least three years from the date of issue of the shares, an individual (who holds no more than a 30% interest in the company) can reduce their income tax liability by up to 50% of the amount invested. There is no minimum subscription and the maximum investment in SEIS qualifying companies which qualify for SEIS Income Tax Relief is £100,000 in the current tax year. Income Tax Relief is offset in the appropriate year of claim, up to a maximum of the income tax liability. In other words, initial income tax relief could reduce your tax bill to nil.

Individuals may elect to treat their subscription for SEIS shares as if made in the previous tax year, up to their maximum annual SEIS allowance, thereby effectively carrying income tax relief back one year. This assists an investor to maximise the relief available. Thus an investor who had made no SEIS investment in a tax year may make SEIS subscriptions of up to £200,000 in the following tax year and elect to carry back £100,000 to the previous tax year to claim income tax relief for that year.

Spouses each have their own investment limit (although they will be aggregated together for the purposes of the 30% test referred to above).

This relief is usually passed to the Investor in the form of a tax rebate or, if requested of HMRC, via an adjustment in their PAYE code. The relief may only be claimed once the investor has received form SEIS 3 from the company.

Example

Initial Investment	£10,000
Less Income Tax Relief @ 50%	(£5,000)
Net Cost of Investment	£5,000