

## SEIS Loss Relief

Relief is available for SEIS shares which are disposed of at any time at a loss (after taking into account SEIS income tax relief which is retained). The loss can be set against the investor's capital gains, or his/her income in the year of disposal or the previous tax year. For losses offset against income, the net effect is to limit the investment exposure to as much as 27.5p in the £1, assuming the investor has a 45% marginal rate of income tax, if the shares become totally worthless. Alternatively the losses can be relieved against capital gains at a rate of up to 28% for higher rate tax payers and 18% for standard rate tax payers.

### Example – Loss Relief against Income Tax

<b>Initial Investment</b>	<b>£10,000</b>
<b>Less income tax relief @ 50%</b>	(£5,000)
<b>Net cash outlay for investment</b>	£5,000
<b>If investment fell to £0 net loss</b>	(£5,000) in 2014/15
<b>Loss relief against income of 45%</b>	£2,250
<b>Net loss</b>	(£2,750)
<b>Percentage of original outlay</b>	27.5%

### Example - Loss Relief against Capital Gains Tax

If the loss is offset against capital gains tax, this can be claimed against capital gains of the same year, or carried forward and relieved against future capital gains. The current rate of capital gains tax is 28% for higher rate tax payers and 18% for standard rate tax payers.

<b>Initial Investment</b>	<b>£10,000</b>
<b>Less Income Tax Relief @ 50%</b>	(£5,000)
<b>Net cash outlay for Investment</b>	£5,000
<b>* If investment fell to £0 net loss relief at 28%</b>	(£1,400)
<b>Net loss</b>	(£3,600)
<b>Percentage of original outlay</b>	36.00%

\* Assume sufficient gains against which to offset the loss.

Thus an individual who has income which is charged to income tax at higher rates is likely to wish to offset the loss against income rather than capital gain.

Professional advice should be sought.