

# Spinout to Exit: Investor reliefs (EIS and SEIS)



Maximise your potential

At James Cowper Kreston, we understand that attracting investment is crucial for business growth and expansion. Companies that can deliver tax incentives to potential investors put themselves in a stronger position to raise finance.

Our tax experts can help you understand the complexities of these investor reliefs and explain how to take full advantage of them. Two of the most popular investor reliefs are the Enterprise Investment Scheme (EIS) and the Seed Enterprise Investment Scheme (SEIS).

## EIS

EIS supports companies that have moved beyond the seed stage but still require early stage capital to scale - offering investors tax incentives that can significantly reduce their investment risk.

It remains one of the UK's most important incentives for growth funding. Incentives include:

- Income tax relief of 30% on investments
- Capital gains tax deferral on gains that are reinvested in EIS-eligible companies
- Capital gains tax exemption on disposals of EIS shares held for at least three years
- Loss relief that can be offset against income tax or capital gains tax liabilities

We recommend you speak to our tax team to see if you fit within these requirements.



## SEIS

SEIS is designed for businesses at the earliest stage of their development. It provides the most generous tax incentives to investors (up to 50% upfront income tax relief) and is suited to companies that are small, newly formed, and pre-revenue, generally available to companies with gross assets of less than £350,000 and with a trade less than three years old.

It is largely modelled on EIS but can be more flexible and the tax savings for investors can be higher. Directors can often qualify for SEIS so long as their shareholdings do not exceed 30%.



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## Key company qualification criteria for SEIS and EIS

These schemes offer attractive tax incentives to investors, but companies must meet specific eligibility criteria to qualify.

Requirement	SEIS	EIS
<b>Gross assets</b>	Must not exceed £350,000 before the SEIS share issue	Must not exceed £30m before investment and £35m after investment
<b>Employees</b>	Fewer than 25 full-time equivalent employees	Fewer than 250 employees (or 500 for Knowledge Intensive Companies)
<b>Age limit / company trade age</b>	Company must be trading less than 3 years	Trade must generally be less than 7 years old (up to 10 years for Knowledge Intensive Companies)
<b>Maximum fundraising under scheme</b>	Up to £250,000 lifetime cap	£10m in any 12-month period, increased to £20m for Knowledge Intensive Companies
<b>Lifetime investment cap</b>	Included in £250,000 limit	£24m lifetime cap, increased to £40m for Knowledge Intensive Companies
<b>Company status</b>	Must be unquoted and independent (not controlled by another company)	Must be unquoted and not controlled by another company
<b>Previous funding restrictions</b>	Must not have previously raised EIS or VCT funds	No restriction on previous SEIS funding (companies commonly raise SEIS first then EIS)
<b>Share requirements</b>	Ordinary shares with no preferential rights	Shares must be non-redeemable and carry no preferential rights
<b>Use of funds</b>	Must be used for qualifying business activity	Must be used within 2 years for qualifying trading activity or R&D
<b>Risk to capital test</b>	Applies (HMRC requires genuine growth risk)	Must satisfy Risk to Capital condition
<b>Qualifying trade</b>	Must carry on a qualifying trade (exclusions include finance, property, energy generation etc.)	Must carry on a qualifying trade (similar excluded sectors)

### Why This Matters

SEIS and EIS remain cornerstone incentives for attracting early-stage investment in the UK.

Ensuring your company meets the qualifying criteria not only enhances investor confidence, but also enables you to access broader investment pools - including angels, early-stage funds, and university spin-out investors.

Our tax experts can help you understand the complexities of these investor reliefs and explain how to take full advantage of them.



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