



Seed Enterprise Investment Scheme (“SEIS”) & Enterprise Investment Scheme (“EIS”) – Case Studies

We have substantial experience in providing advice about both SEIS and EIS requirements and structuring. Both schemes can provide some very generous tax reliefs to individual investors but there are many pitfalls that require careful planning to avoid. Examples of the work we have recently performed in this area are given as follows:

Individual client

Issue: An individual client had developed a new type of cryptographic software and was looking to raise finance to extend and market his product.

Solution: We assisted him in transferring his intellectual property into a new company for use as a fundraising vehicle, also ensuring the new investors would be able to benefit from the EIS. The company raised almost £4 million from external investors. A shareholders’ agreement was negotiated, under which the investors were seeking numerous minority shareholder protections. We advised on which of the minority protections would be compatible with EIS requirements, ensuring that the investors were able to retain the benefits of the scheme. We also undertook completion of all EIS compliance and filing requirements on behalf of the company, from the initial application through to issuing the final certificates to all the individual investors.

Mobile phone application funding

Issue: A company that had developed a mobile phone application had successfully identified a potential investor, who was prepared to provide funds on the condition that he would obtain EIS relief.

Solution: As the company initially did not have an office in the UK it was necessary to advise the company on how it might create a UK establishment, without which the company would not qualify for EIS. We also advised on the personal tax implications for the founder shareholder, who was a director, of having investors pay a significant premium for the company shares.

Interior design business start-up

Issue: We were approached by a group of individuals looking to start an interior design business.

Solution: As part of our discussions we advised them about how they could benefit from SEIS reliefs by effectively reducing the amount of capital each person was risking in this new venture. Due to the nature of the business, it was also necessary to provide guidance about the activities that were being planned, to ensure that none of them would jeopardise compliance with SEIS requirements.

Overseas company

Issue: A US company, which had developed a light enhancing coating for windows was looking to raise funds under EIS in order to start large scale manufacturing of the product.

Solution: We advised the company on how to comply with the UK permanent establishment requirement, in order to qualify for EIS, and highlighted the corresponding UK corporation tax implications. We also advised on the availability of Research and Development tax reliefs in respect of the development work for the product.

UK subsidiary

Issue: We were approached by a client who had set up a UK subsidiary of his overseas company in order to undertake research into the development of new medicines and vaccines in the UK, for which he was looking to raise finance under SEIS and EIS.

Solution: As subsidiaries cannot receive EIS investment, being controlled companies, we advised on how the group structure could be amended, to facilitate the investment. With the company planning to undertake research and development, it was also necessary to consider how this would constitute a qualifying activity, especially as royalties and licensing would be part of the business in future.

For more information, please contact:

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