

Enterprise investment scheme

Whether you're just starting out in business, thinking about selling, or looking to reinvest your sale proceeds, there are plenty of tax issues for you to consider.

Whatever stage you're at, we at Foot Anstey want to help you find the most tax-efficient route.

We've put together this very brief guide for business owners. If you'd like to find out more about any of the issues covered, do give us a call and we'll be happy to help.

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WARNING

The information contained in this guide is for generic use only and cannot be relied upon for any specific transaction. We recommend that specialist professional advice is taken from a member of our tax team before entering (or refraining from entering) into any specific transaction or structure.

What is it?

Relief from both income tax (IT) and capital gains tax (CGT) for investors in small unquoted trading companies.

How it works – the investor

- Must subscribe for fully paid up ordinary shares
- Must control no more than 30% of share capital or voting rights
- Usually, may not be an employee or paid director of the company.

How it works – the company

- Must be unquoted, independent, gross assets less than £7m, fewer than 50 full time employees
- Must carry on a qualifying trade (eg not dealing in property)
- Must raise no more than £2m under this scheme (and other venture capital schemes) in any twelve month period.

How the IT relief works

- Minimum investment: £500 of shares in any one company in any one tax year
- Relief: 20% of cost of shares set against IT liability for that tax year
- Maximum tax reduction of £100,000 in any one year.

How the CGT exemption works

- CGT on disposal exempt if investor qualifies for IT relief and retains shares for at least three years
- Any loss (less IT relief) can be set against income, rather than capital gains.

Other points to note

- Reliefs lost or reduced if circumstances change
- CGT deferral relief also available.

Claiming the relief

- Claim via the HMRC Small Companies Enterprise Centre
- Can seek advance assurance re qualification.