







The Investors' Guide

to the Enterprise Investment Scheme and
Seed Enterprise Investment Scheme

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ABOUT CROWD FOR ANGELS

Crowd for Angels is an FCA authorised and regulated crowdfunding platform that funds companies through the issue of shares, crowd bonds and digitalised assets to investors.

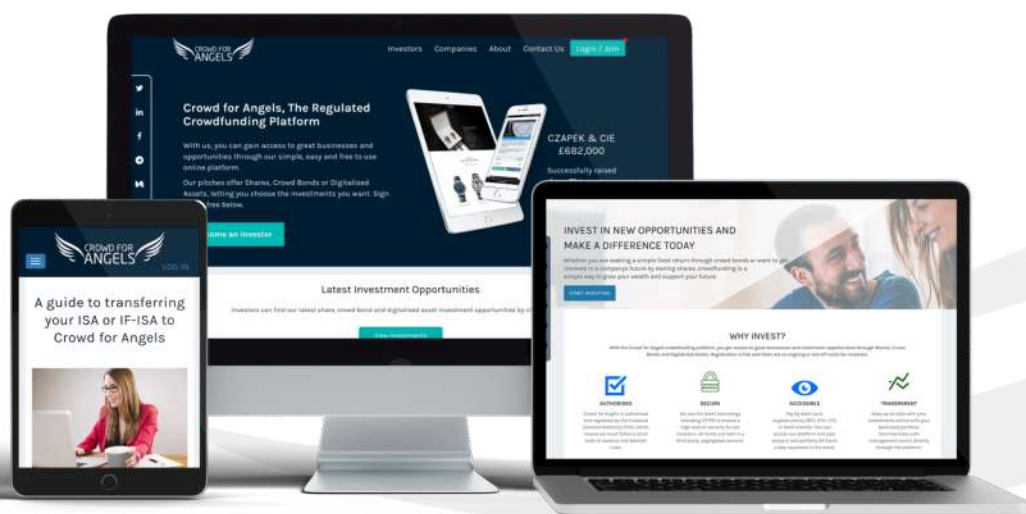
Today, we welcome over 32,000 'Angels' on our platform who regularly invest, participate and support great companies. Our name mirrors our vision and we look forward to welcoming you as part of Crowd for Angels.

FOR INVESTORS

Discover investment opportunities, build a diverse portfolio, support companies you believe in and share in their success. At Crowd for Angels you can invest from as little as £25.

Our investment opportunities offer tax efficient returns by utilising SEIS/EIS tax relief for share investments and our Innovative Finance ISA to shelter your bond interest from tax. For additional convenience, your investments are held through a Nominee to remove the burden of administrating your investments.

This guide will give you essential information on the Seed Enterprise Investment Scheme (SEIS) and Enterprise Investment Scheme (EIS). But, should you feel you have more questions please do not hesitate to reach out to one of knowledgeable team at tax@crowdforangels.com



The Enterprise Investment Scheme (EIS), launched by the government in 1994, is designed to help smaller higher-risk trading companies to raise finance by offering a range of tax reliefs to investors who purchase new shares in those companies.

Since the EIS began, thousands of small UK companies have used the government boon to raise growth capital for their businesses. According to HMRC statistics, in the 2017-18 tax year 3,920 companies raised a total of £1.93 billion of funds under EIS. Since launch, that took the total number of companies to 29,770 and funds invested to more than £20 billion.

To give a broad overview, EIS offers investors in qualifying companies a range of generous tax benefits, including income tax relief, loss relief and exemption from capital gains tax. To encourage long-term investment, the shares must be held onto for a minimum length of time, typically three years, before the tax reliefs can be claimed.

THE MAIN BENEFITS ARE:

- 30% income tax relief on investments of up to £1 million per tax year. This rises to £2 million if at least £1 million is invested in so called knowledge-intensive companies. The maximum £1 million per annum investment gives a potential maximum tax reduction in any one year of £300,000.
- No capital gains tax on any profits realised if the shares are held for at least three years.
- Capital losses can be offset against income tax at the highest rate of income tax payable.
- No inheritance tax on EIS shares after holding for two years.

Along with the required holding periods, some other key qualifiers include investors not being connected to the EIS company (i.e. being an employee, partner or director) and it must be newly issued shares that are bought - those that are not already on the market.

EXAMPLES:

Jenny, a higher rate (40%) taxpayer, invests £20,000 in tax year 2019-20 in EIS qualifying shares. The income tax relief available is £6,000 (£20,000 x 30%). Her income tax liability for the year (before EIS relief) is £15,000 which she can reduce to £9,000 as a result of her investment.

Jenny sells her £20,000 worth of shares for £30,000 after three years. The £10,000 profit is exempt from capital gains tax, saving an effective £2,000 at the 20% higher rate tax band.

Jenny's investment is valued at zero after the company closes. On top of the £6,000 claimed against the initial investment she can also claim 40% against the remaining at-risk capital (£14,000 at 40% = £5,600). Her overall loss is therefore cut from £20,000 to £8,400.

The success of EIS led to the government launching the Seed Enterprise Investment Scheme (SEIS) in 2012. SEIS is intended to recognise the specific difficulties which very early-stage companies face in attracting investments, by offering tax reliefs at a higher rate than that offered by EIS. Qualifying companies can receive a maximum of £150,000 through SEIS investments.

In 2017/18 2,320 companies raised a total of £189 million of funds under the SEIS scheme, compared to 2,425 raising £187 million the year before. Since launch, 12,900 companies have received investment and over £1 billion of funds have been raised.

THE MAIN BENEFITS ARE:

- 50% tax relief on investments of up to £100,000 per annum.
- No capital gains tax on any profits realised if the shares are held for three years.
- When you sell any asset and use all or part of the gain to invest in shares that qualify for SEIS, you will not have to pay capital gains tax. You can get capital gains tax relief on 50% of the investment, up to £100,000, giving a maximum of £50,000.
- Capital losses can be offset against income tax at the highest rate of income tax payable.
- No inheritance tax on SEIS shares after holding for two years.

EXAMPLES:

Horatio, a higher rate (40%) taxpayer, invests £100,000 in tax year 2019-20 in SEIS qualifying shares. The income tax relief available is £50,000 (£100,000 x 50%). His income tax liability for the year (before EIS relief) is £60,000 which he can reduce to £10,000 as a result of the investment.

Horatio sells his £100,000 worth of shares for £200,000 after three years. The £100,000 profit is exempt from capital gains tax, saving an effective £20,000 at the 20% higher rate tax band.

Horatio's investment is valued at zero after the company closes. On top of the £50,000 claimed against the initial investment he can also claim 40% against the at-risk capital (£50,000 at 40% = £20,000). His overall loss is therefore cut from £100,000 to £30,000.

CLAIMING EIS TAX RELIEF

In order to claim relief on EIS shares an investor must fill out an EIS3 form which is sent to them by the company issuing the shares. Claims are made through your self-assessment tax return for the tax year in which the shares were issued.

You will be asked for some information which is included in your EIS3 certificates. On the paper self-assessment forms, this information should be completed on the Other reliefs section of the Additional Information form (Sa101). Here, fill out Section 2, Subscriptions for shares under the Enterprise Investment Scheme, with the amount on which relief is claimed. In box 21 of the Additional information section give details of each of your EIS investments.

Online, you should answer "Yes" to the question on other tax reliefs in section 3, Tailor your return and in section 4, Fill in your return, provide the total amount of your EIS subscriptions on which you wish to claim tax relief and provide details of each.

HMRC does not require you to submit EIS3 forms but ensure you have them on file in case of any queries. Alternatively, you can complete the claim form on pages 3 and 4 of the EIS3 certificate and send it to your HMRC tax office.

Claims can be made up to five years after the investment after the first 31st January following tax year in which investment was made.

CLAIMING SEIS TAX RELIEF

Claiming SEIS tax relief is similar to claiming EIS tax relief in that it must be done via the self-assessment form. After the issuing company has been trading for 4 months or 70% of SEIS monies have been spent, an SEIS Application is submitted to HMRC for SEIS 3 certificates.

The SEIS 3 certificate contains the details that are required to complete your self-assessment and claim your SEIS tax reliefs, including company name, subscription amount and date of shares issued.

On paper, in box 10 of the 'Other Tax Reliefs' section enter the total amount of the subscriptions on which you are now claiming SEIS tax relief. In box 21 of the 'Any other information' section on enter the additional investment details given on you SEIS 3 certificate.

Online, answer "Yes" to the question on other tax reliefs in section 3, "Tailor your return" and in section 4, "Fill your return", you will have to type the total amount of all your SEIS subscriptions on which you wish to claim tax relief.

Again, HMRC does not require you to submit the SEIS 3 Certificate but ensure you have them on file in case of any queries. Alternatively, complete the claim form on pages 3 and 4 of the SEIS3 and send it to your HMRC tax office.

Investors should note that tax is a complex area with many rules and that they should seek tax advice if in doubt about their qualifying status.



RISK WARNING

Investing in small public listed or private companies involves risks, including illiquidity, lack of dividends, loss of investment and dilution, and it should be done only as part of a diversified portfolio. Crowd for Angels is targeted exclusively at investors who are sufficiently sophisticated to understand these risks and make their own Investment Decisions. The availability of any tax relief, including EIS and SEIS, depends on the individual circumstances of each investor and of the company concerned, and may be subject to change in the future. You will only be able to invest via Crowd for Angels once you are authorised. Please visit <https://crowdforangels.com/risk-warning> to read the full Risk Warning.

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Cryptocurrencies, tokens and other digital currencies are not regulated by the Financial Conduct Authority and therefore do not offer recourse on the Financial Ombudsman Service or the Financial Services Compensation Scheme. The prices of virtual goods and products, like real goods and products, constantly fluctuate over time. Any currency, virtual or otherwise, could be subject to large swings in value and at any time might become worthless. As such, the value of your holding may increase or decrease over time or even go to zero.