



# Income Tax Act 2007

## 2007 CHAPTER 3

### [<sup>F1</sup>PART 5A

#### SEED ENTERPRISE INVESTMENT SCHEME

### [<sup>F1</sup>CHAPTER 1

#### INTRODUCTION

##### Textual Amendments

- F1** Pt. 5A inserted (17.7.2012) (with effect in accordance with Sch. 6 para. 24(1) of the amending Act) by Finance Act 2012 (c. 14), [Sch. 6 para. 1](#)

#### *SEIS relief*

#### **257A Meaning of “SEIS relief” and commencement**

(1) This Part provides for SEIS income tax relief (“SEIS relief”), that is, entitlement to tax reductions in respect of amounts subscribed by individuals for shares in companies carrying on new businesses.

(2) In this Part “SEIS” stands for the seed enterprise investment scheme.

[<sup>F2</sup>(3) This Part has effect in relation to shares issued on or after 6 April 2012 only.]

<sup>F3</sup>(4) .....

##### Textual Amendments

**F2** S. 257A(3) substituted (17.7.2014) by [Finance Act 2014 \(c. 26\), s. 54\(2\)](#)

**F3** S. 257A(4) omitted (17.7.2014) by virtue of [Finance Act 2014 \(c. 26\), s. 54\(3\)](#)

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## 257AA Eligibility for SEIS relief

An individual (“the investor”) is eligible for SEIS relief in respect of an amount subscribed by the investor on the investor's own behalf for an issue of shares in a company (“the issuing company”) if—

- [<sup>F4</sup>(za) the risk-to-capital condition is met (see section 257AAA),]
- (a) the shares (“the relevant shares”) are issued to the investor,
  - (b) the investor is a qualifying investor in relation to the relevant shares (see Chapter 2),
  - (c) the general requirements (including requirements as to the purpose of the issue of shares and the use of money raised) are met in respect of the relevant shares (see Chapter 3), and
  - (d) the issuing company is a qualifying company in relation to the relevant shares (see Chapter 4).

### Textual Amendments

**F4** S. 257AA(za) inserted (15.3.2018) by [Finance Act 2018 \(c. 3\), s. 14\(2\)\(a\)\(4\)](#); S.I. 2018/931, reg. 2(a)

### [<sup>F5</sup>257AAA] Risk-to-capital condition

- (1) The risk-to-capital condition is met if, having regard to all the circumstances existing at the time of the issue of the shares, it would be reasonable to conclude that—
  - (a) the issuing company has objectives to grow and develop its trade in the long-term, and
  - (b) there is a significant risk that there will be a loss of capital of an amount greater than the net investment return.
- (2) For the purposes of subsection (1)(b)—
  - (a) the risk is to be determined by reference to a loss of capital, and the net investment return, for the investors generally,
  - (b) the reference to a loss of capital is to a loss of some or all of the amounts subscribed for the shares by the investors, and
  - (c) the reference to the net investment return is to the net investment return to the investors (whether by way of income or capital growth) taking into account the value of SEIS relief.
- (3) For the purposes of subsection (1) the circumstances to which regard may be had include—
  - (a) the extent to which the company's objectives include increasing the number of its employees or the turnover of its trade,
  - (b) the nature of the company's sources of income, including the extent to which there is a significant risk of the company not receiving some or all of the income,
  - (c) the extent to which the company has or is likely to have assets, or is or could become a party to arrangements for acquiring assets, that could be used to secure financing from any person,
  - (d) the extent to which the activities of the company are sub-contracted to persons who are not connected with it,

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- (e) the nature of the company's ownership structure or management structure, including the extent to which others participate in or devise the structure,
  - (f) how any opportunity for investment in the company is marketed, and
  - (g) the extent to which arrangements are in place under which opportunities for investments in the company are or may be marketed with, or otherwise associated with, opportunities for investments in other companies or entities.
- (4) If the issuing company is a parent company—
- (a) any reference in this section to the company's trade is to what would be the trade of the group if the activities of the group companies taken together were regarded as one trade, and
  - (b) any reference in subsection (3)(a) to (e) to the company is to any group company.]

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**Textual Amendments**

**F5** S. 257AAA inserted (15.3.2018) by [Finance Act 2018 \(c. 3\)](#), s. 14(2)(b)(4); S.I. 2018/931, reg. 2(a)

## **257AB Form and amount of SEIS relief**

- (1) If an individual—
- (a) is eligible for SEIS relief in respect of any amount subscribed for shares, and
  - (b) makes a claim in respect of all or some of the shares included in the issue,
- the individual is entitled to a tax reduction for the tax year in which the shares were issued (“the current tax year”).

This is subject to the provisions of this Part.

- (2) The amount of the tax reduction to which the individual is entitled is the amount equal to tax at the SEIS rate for the current tax year on—
- (a) the amount or, as the case may be, the sum of the amounts subscribed for shares issued in that year in respect of which the individual is eligible for and claims SEIS relief, or
  - (b) if less, [<sup>F6</sup>£200,000].
- (3) In this Part “the SEIS rate” means 50%.
- (4) The tax reduction is given effect at Step 6 of the calculation in section 23.
- (5) If in the case of any issue of shares—
- (a) which are issued in the current tax year, and
  - (b) in respect of the amount subscribed for which the individual is eligible for SEIS relief,

the individual so claims, subsections (1) and (2) apply as if, in respect of such part of that issue as may be specified in the claim, the shares had been issued in the preceding tax year, and the individual's liability to tax for both tax years is determined accordingly.

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### **Textual Amendments**

- F6** Sum in s. 257AB(2)(b) substituted (6.4.2023 in relation to shares issued on or after that date) by [Finance Act 2023 \(c. 30\), s. 15\(2\)\(7\)](#)

### *Miscellaneous*

#### **257AC Meaning of “period A” and “period B”**

- (1) This section applies for the purposes of this Part in relation to any shares issued by a company.
- (2) “Period A” means the period—
  - (a) beginning with the incorporation of the company, and
  - (b) ending immediately before the termination date relating to the shares.
- (3) “Period B” means the period—
  - (a) beginning with the issue of the shares, and
  - (b) ending immediately before the termination date relating to the shares.
- (4) In this section “the termination date”, in relation to the shares, means the third anniversary of the date on which the shares are issued.

#### **257AD Overview of other Chapters of Part**

In this Part—

- (a) Chapter 5 provides for the attribution of SEIS relief to shares and the making of claims for such relief,
- (b) Chapter 6 provides for SEIS relief to be withdrawn or reduced in the circumstances mentioned in that Chapter,
- (c) Chapter 7 makes provision with respect to the procedure for the withdrawal or reduction of SEIS relief, and
- (d) Chapter 8 contains supplementary and general provisions.

#### **257AE CGT reliefs relating to SEIS**

- (1) Section 150E of TCGA 1992 makes provision about gains or losses on the disposal of shares to which SEIS relief is attributable.
- (2) Schedule 5BB to that Act provides relief in respect of the re-investment under SEIS of the proceeds of assets disposed of in circumstances where there would otherwise be a chargeable gain.]

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**Changes and effects yet to be applied to the whole Act associated Parts and Chapters:**

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 24B inserted by [2023 c. 30 Sch. 2 para. 10\(3\)](#)
- s. 788(7) inserted by [2007 c. 29 Sch. 21 para. 161\(b\)](#) (The amending provision was repealed before coming into force.)