These notes refer to the Finance Act 2014 (c.26) which received Royal Assent on 17 July 2014

FINANCE ACT 2014

EXPLANATORY NOTES

INTRODUCTION

Section 55: Removing the Time Limit on CGT Relief in Respect of Re-Investment under SEIS

Summary

1. This section makes permanent the capital gains tax (CGT) relief for re-investing chargeable gains into seed enterprise investment scheme (SEIS) shares.

Details of the Section

2. The section extends the scope of the CGT SEIS reinvestment relief at paragraph 1 of Schedule 5BB to the Taxation of Chargeable Gains Act 1992 by removing the current limitation to tax year 2013-14, applying the relief to any tax year beyond 2012-13. It applies ‘the relevant percentage’ that is 50 per cent (rather than 100 per cent) for tax year 2013-14 and subsequent years so that half of the amount of the qualifying reinvested gains is relived from CGT; and makes a consequential amendment to section 150G.

Background Note

3. SEIS was introduced in 2012. It is designed to help small early-stage companies raise equity finance by offering a range of tax reliefs to individual investors who purchase new shares in these companies. It complements Enterprise Investment Scheme (EIS) but, in recognition of the particular difficulties that very early stage companies face in attracting investment, offers tax relief at a higher rate than that offered by EIS.

4. To help stimulate interest and demand in SEIS, a CGT re-investment relief was introduced for one year. Under the relief, where a person disposes of assets that give rise to chargeable gains and re-invests all or part of the amount of the gains in shares that qualify for SEIS income tax relief, the amount re-invested can be set against the chargeable gains. This is subject to a £100,000 investment limit (which matches a similar cap on SEIS relief).

5. In 2013 the relief was extended for a further year but provided that half (rather than the whole) of the qualifying re-invested amount can be set against chargeable gains.