

# New Rules to Qualify for EIS Tax Relief

#1

## Maximum Permitted Age Requirement



This is part of a series of infographics presenting 6 new rules for EIS.

To qualify for EIS, the investment must take place during the Initial Investment Period (usually 7 years after the company started to trade). If this is not the case, you must then meet one of two conditions as outlined below.



### Condition A

A relevant investment (SEIS, EIS, SISR or VCT) was made in the company before the end of the Initial Investment Period (usually 7 years after the company started to trade) AND some or all of the money raised by that investment was employed for the purposes of the relevant qualifying business activity.

### Condition B

The total amount of relevant investments (SEIS, EIS, SISR or VCT) made in the company in a period of 30 consecutive days (including the issue date) is at least 50% of the average turnover for the last five years and money raised is employed for the purpose of entering a new product or geographical market.

### Condition C

Condition B was met with regard to any previous relevant investment and some or all of the money raised by those investments was employed for purposes of relevant qualifying business activity.

Get in touch with Neil Norman on 0131 558 5800 for more information

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The legislation detailing the new rules has not come into force yet, but it is unlikely to materially change at this stage. Information correct as at 12 November 2015

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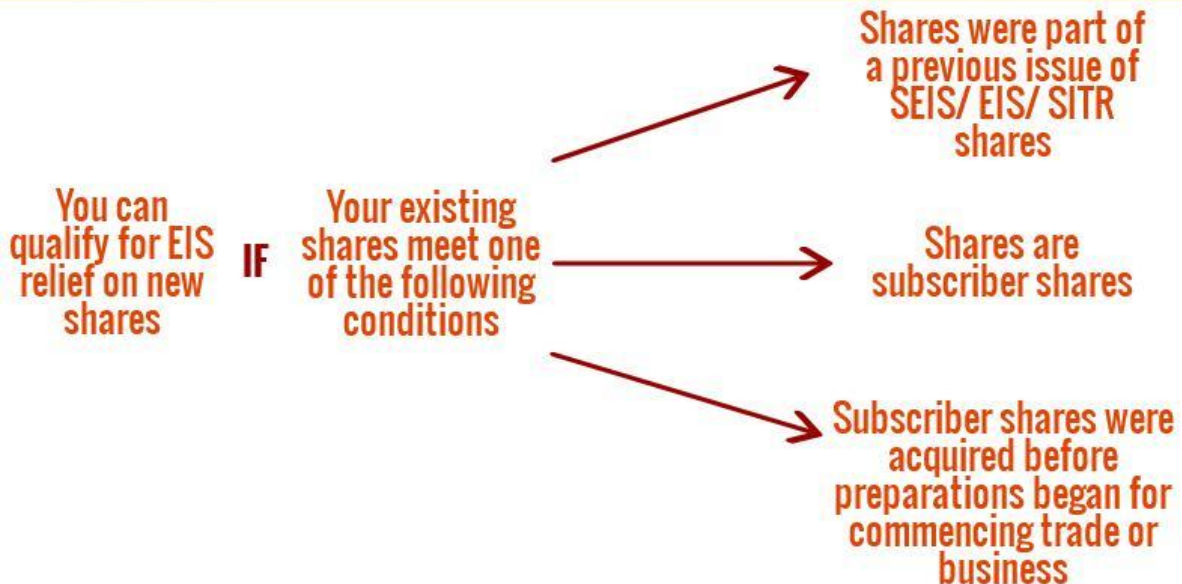
#2

## Existing Shareholder Requirements



This is part of a series of infographics presenting 6 new rules for EIS.

To qualify for EIS relief on new shares, existing share holders must meet one of three conditions outlined below.



Any other shares held = non qualifying individual

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#3

## Withdrawal of SEIS Spending Requirement

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It is now no longer a requirement to have spent 70% of SEIS money, to be able to issue EIS qualifying shares. However, there are still requirements that must be met in order to qualify for SEIS as outlined below.

			SEIS STATUS
IF	→	SEIS and EIS are issued on the SAME day	Disqualified
IF	→	EIS is issued BEFORE SEIS	Disqualified
IF	→	SEIS is issued BEFORE EIS	Qualifies

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#4

## Use of EIS Funds



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EIS Funds may only be used for certain qualifying business activities and may not be used for others. The restricted activities are outlined below.

Funds raised through EIS cannot be used to/for:

- ✗ Acquire an existing trade
- ✗ Invest in a 51% subsidiary
- ✗ Invest in a company that becomes a 51% subsidiary
- ✗ Any intangible asset used for trading purposes
- ✗ Goodwill used

The above are no longer considered a "qualifying business activity"

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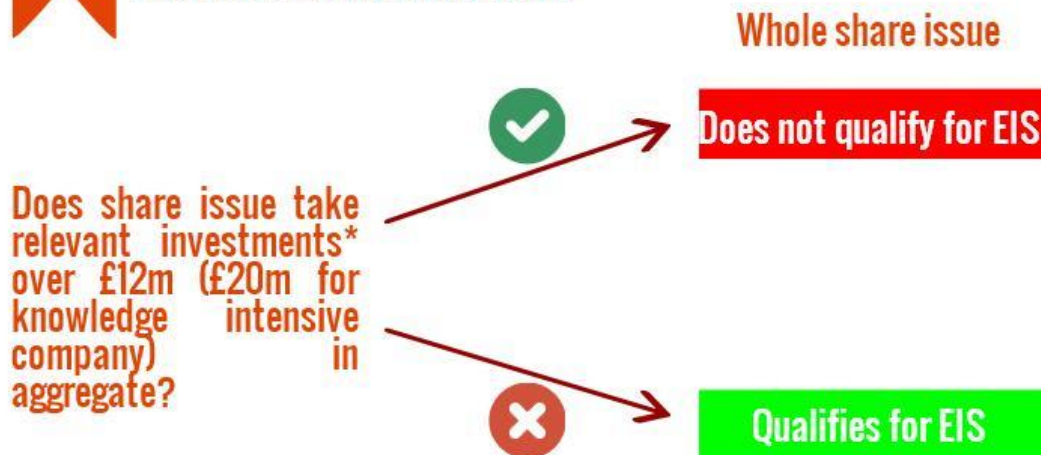
# New Rules to Qualify for EIS Tax Relief

#5

## Maximum Investment at Issue Date



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\*Relevant investment includes:

- SEIS, EIS, SISR and/or VCT Investments in a company
- Any SEIS, EIS, SISR and/or VCT investments in 51% subsidiary of issuing company
- SEIS, EIS, SISR and/or VCT Investment made into a trade that was transferred to the issuing company after share issue

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#6

## Develop and Grow



This is part of a series of infographics presenting 6 new rules for EIS.

A new requirement is being inserted specifically to ensure that companies obtaining EIS investment are intending to carry on indefinitely. Single purpose companies, where there is a likelihood of the company being wound up after meeting its purpose are no longer going to qualify.

Changes to legislation may effect those companies established for the purposes of:

- ✗ Film Production
- ✗ Theatre Production
- ✗ Music Production
- ✗ Any other activity for a finite period

The above rule is only being applied to EIS at this stage. Therefore, SEIS, SISR and VCT appear unaffected.

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