

SEIS FAQs

SORT IT is excited to announce that we have received HMRC's Advance Assurance certificate for the UK Government's SEIS (Seed Enterprise Invest Scheme). The SEIS scheme has a number of benefits for SORT IT and its investors alike. The following document is a guide to answering Frequently Asked Questions about the SEIS scheme and how early stage investors into SORT IT benefit from it.

What is SEIS?

SEIS is a tool that the UK government created to promote investment in early stage startups, that are working on technologically advanced solutions with a high degree of risk. It allows UK investors to invest, in return for the risk being mitigated through Tax Relief and other benefits.

This way, the UK government is promoting investment in potentially high growth UK startups, and ensuring growth in the economy, while incentivizing investors to invest who otherwise (historically) might deem the business too early to invest in.

What are the benefits for investors?

SEIS offers a range of benefits for investors looking to support early-stage startups and benefit from tax incentives and potential high returns:

- **Income tax relief:** 50% income tax relief on the amount invested, up to a maximum on £200,000 per year
- **Capital gains tax exemption:** if an investor holds shares for at least three years, any capital gains are tax free
- **Capital gains tax reinvestment relief:** investors can delay any capital gains tax by reinvesting the gains into SEIS-eligible shares in the same tax year
- **Loss relief:** if the investment results in a loss, it can be offset against the investor's income or capital gains to reduce tax liability
- **Inheritance tax relief:** any investment made in an SEIS-qualifying company held at the time of death is exempt from inheritance tax after it has been held for two years

Reference: [here](#)

What is SEIS Advance Assurance?

Advance assurance is HMRC's way of determining whether a company meets the conditions of SEIS/EIS, and whether an investment will qualify for the tax benefits associated with the SEIS/ EIS schemes when the company has raised their investment round.

Many SEIS/EIS investors only invest in companies that have received Advance Assurance, as it's their way of ensuring they will receive the tax benefits.

Advance Assurance doesn't determine whether an investor will be eligible for the tax benefits, so it's worth understanding the rules (explained further down) for investors.

Reference: [here](#)

What are the SEIS1, SEIS2 and SEIS3 documents?

Once the company has raised their full investment for the round and have sent on their compliance forms (SEIS1), they will then receive a SEIS2 and SEIS3 form.

The SEIS2 is a letter containing the company's (SORT IT's) Unique Investment Reference (UIR) number for this share issue. Investors need the UIR to claim their tax relief.

The SEIS3 is a blank SEIS compliance certificate – when [the company's] filled it in for each of [its] investors, it's the investor's proof that their investment is eligible for SEIS tax relief.

[Investors then use the SEIS3 when filling in their tax returns.]

Reference: [here](#)

How does a business qualify to raise and provide SEIS Advance Assurance for its investors?

This isn't an exhaustive list (see [here](#) for full list), but it must:

- Be less than 7 years old
- Be deemed by HMRC as a valid business, that has risk but has high growth potential
- Registered in the UK
- Technology-focused
- If it falls into all the above, then HMRC will have issued the business with a certificate of Advance Assurance

Reference: [here](#)

How much do I have to invest to claim SEIS?

An investor can invest any amount up to £200k maximum [per year as the maximum across a number of companies, i.e. you can't invest £200k per company per year and receive SEIS. You get a maximum of £200k per year in allowance by the Government to invest as SEIS investment].

Reference: [here](#)

However, for the SORT IT AI pre-seed round, we're requesting investors to invest more than £500 to claim their SEIS allowance in the company.

What do I need to do and how long do I need to have invested in a business or SORT IT to claim SEIS tax relief?

Once the company has been trading for a minimum of four months, or it has spent 70% of the investment [and has the SEIS2 and SEIS3 certificates], you are able to claim tax relief:

- Get a certificate (called an SEIS3 certificate) from the company you invested in confirming that it meets the SEIS requirements
- Include the SEIS3 form and any other information about your SEIS investment on your tax return
- It's worth noting that HMRC may want to see the form – even after the tax return – so keep a record of your investment and claim
- The relief may be claimed up to five years after the 31st of January after the investment
- It's recommended that you speak with a professional such as an accountant or tax adviser to ensure you are eligible and to assist with the process.

Reference: [here](#)

Can family members of the directors invest and claim SEIS/EIS?

These specific parties are limited to:

- spouses and civil partners,
- parents and grandparents,
- children and grandchildren

of anyone with a controlling interest in the company (30% or more of the shares or voting, or an employee of the company) cannot get SEIS or EIS.

Reference: [here](#)

What are the other rules for investors?

- The investor must be UK tax payer; paying income tax in the UK (income tax threshold is irrelevant)
- The investor must be over 18 years old
- The investor must not be employed by the company they invest in, unless they're also a director
- They must be able to pay for the shares in cash, and in full
- The investor and their associates – for example family members or spouses – cannot together hold more than 30% of shares in the SEIS company
- The investor must hold shares for a minimum of three years to qualify for CGT exemption. They also can't be used as collateral during this time

Reference: [here](#)

What do I need to do and how long do I need to have invested in a business or SORT IT to claim CGT (Capital Gains Tax) tax relief?

- The investor must hold shares for a minimum of three years to qualify for CGT exemption. They also can't be used as collateral during this time – making the potential return on investment even higher

Reference: [here](#)

How do you invest in a company using SEIS?

There are two ways to invest in companies. You can either do it through an SEIS fund or portfolio (where they are working with the startup in question), or invest directly through the company itself.

Reference: [here](#)

In the case of SORT IT, you would need to invest directly through the company.

How do I invest in SORT IT and ask to claim an allocation of their SEIS allowance?

You would need to fill in the relevant investment documentation. You can do this by getting in touch with Sim (our CEO), who will send on the relevant documents.

You would need to stipulate by email that you would like to invest and you would want the investment as SEIS investment.

SORT IT's SEIS allocation is first come first serve. So, given we have an allocated amount of investment, if you miss the boat, you miss the boat.

As companies we now get up to £250k allocation per company.

Reference: [here](#)

Final Points:

SORT IT does not take any responsibility for the information in this document being factually incorrect at the point that the investor/s read it. The document is only intended to outline the main questions an investor has, and has been written to the best of knowledge from those within SORT IT.

As with any investment, SORT IT recommends all investors should do their own research and speak to a qualified financial professional to ensure that the investment in SORT IT is right for them.

Any investors in SORT IT recognise that they could lose their investment, as with any investment.

Please reach out to Sim at simeon.gow@sortit.ai should you have any questions, or if you believe you are ready to invest.

Other useful sources:

<https://seedlegals.com/resources/seis-tax-relief/>

<https://seedlegals.com/resources/seis-rules-investors/>