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What Tax Reliefs and Incentives can my UK Startup Receive? Osome Guide

As a limited company, you can take advantage of various government incentives that can boost your business thousands of pounds. Here's a list of programs you should look into:

SEIS Tax Relief

Seed Enterprise Investment Scheme (SEIS) helps you raise money — it allows investors to recover **50%** of the sum they invested in your business, up to **£100,000** each tax year.

You can raise up to **£150,000** under SEIS, and the money you've raised has to be spent within 3 years.

Does your company qualify?

- Your company has been trading for less than 2 years
- You have fewer than 25 employees
- Your gross assets are £200,000 or less
- You belong to a 'qualifying' trade

Most trades will qualify, except finance, legal, leasing, property development, hotel management, electricity, gas, coal, steel or energy.

How to get it:

1. [Apply to HMRC for Advanced Assurance Certificate to confirm you're eligible](#)
You'll need: details of at least 1 future investor, a business plan, 3-year financial forecast, latest accounts, a cover letter
2. [Issue shares and get the money](#)
You'll need: board resolution, meeting minutes, share certificates issued to the investor; inform the Companies House on the allotment of shares via SH01s form.
3. [Apply to HMRC for certificates for investors to claim relief](#)
Conditions: after you've been trading for 4 months or spent 70% of the SEIS funds.
You'll need: SEIS1 compliance statement requesting the SEIS certificates.
4. [Watch Investor use the tax relief](#)
Conditions: to claim tax return for the previous year, use Self Assessment. For the current year, either change PAYE tax code or adjust accounts due on Self Assessment.

EIS Tax Relief

Enterprise Investment Scheme (EIS) is similar to SEIS but designed for longer-established companies. It helps you raise funding by allowing investors to recover **30%** of the sum they invested in your business, up to **£1 million** each tax year. If the shares are disposed of at a loss, investors can use the tax relief to recover 65p on every £1 invested.

You can raise up to **£5 million** under EIS and no more than **£12 million** in total from any kind of schemes: SEIS, VCT, and SITR. The money has to be used for trade and R&D within 2 years after you received it.

Does your company qualify?

- Your company has been trading for less than 7 years
- You have fewer than 250 employees
- Your gross assets are £15m or less
- You belong to a qualifying trade
- You are not trading on any stock exchange

How to get it:

1. [Apply to HMRC for Advanced Assurance Certificate to confirm you're eligible](#)
You'll need: details of at least 1 future investor, a business plan, 3-year financial forecast, latest accounts, a cover letter
2. [Issue shares and get the money](#)
You'll need: board resolution, meeting minutes, share certificates issued to the investor; inform the Companies House on the allotment of shares via SH01s form.
3. [Apply to HMRC for certificates for investors to claim relief](#)
Conditions: after you've been trading for 4 months or spent 70% of the EIS funds.
You'll need: EIS1 compliance statement requesting the EIS certificates.
4. [Watch Investor use the tax relief](#)
Conditions: to claim tax return for the previous year, use Self Assessment. For the current year, either change PAYE tax code or adjust accounts due on Self Assessment.

VCT Tax Relief

Venture Capital Trusts (VCT) scheme incentivizes fund managers to invest in small companies by offering tax reliefs. The investors can claim **30%** of the total they've put into funding your business, up to **£200,000** each tax year. Unlike EIS, SEIS, or SITR, VCT allows claiming relief on income from dividends, too.

The fund can invest no more than 15% of its money in a single company and has to hold the shares for at least 5 years. You can raise up to **£5 million** under VCT and no more than **£12 million** in total from kind of schemes: SEIS, EIS, and SITR.

Does your company qualify?

- You have fewer than 250 employees
- Your gross assets are under £15m, or £16m immediately after the investment
- You are not trading on any stock exchange

How to get it:

1. [Apply to HMRC for Advanced Assurance Certificate to confirm you're eligible](#)
You'll need: details of at least 1 future investor, a business plan, 3-year financial forecast, latest accounts, a cover letter
2. [Issue shares and get the money](#)
You'll need: board resolution, meeting minutes, share certificates issued to the investor; inform the Companies House on the allotment of shares via SH01s form.
3. [Apply to HMRC for certificates for investors to claim relief](#)
Conditions: after you've been trading for 4 months or spent 70% of the VCT funds.
You'll need: VCT compliance statement requesting the VCT certificates.
4. [Watch Investor use the tax relief](#)
Conditions: to claim tax return for the previous year, use Self Assessment. For the current year, either change PAYE tax code or adjust accounts due on Self Assessment.

SITR Tax Relief

Social Investment Tax Relief (SITR) helps secure funding for charities and social enterprises. It allows investors to claim **30%** of their funding, up to **£1 million** each tax year. The relief can be used towards recovering capital gains tax.

You can raise up to **£1.5 million** under SITR and no more than **£12 million** in total from any kind of schemes: SEIS, EIS, and VCT. You can't use the investment to pay off existing loans.

Does your company qualify?

- You're a registered charity, Community Benefit Society or Community Interest Company
- Your company has been operating for less than 7 years
- You have fewer than 250 employees
- Your gross assets are under £15m, or £16m immediately after the investment
- You belong to a qualifying trade
- You are not trading on any stock exchange
- You are not controlled by another company

How to get it:

1. [Apply to HMRC for Advanced Assurance Certificate to confirm you're eligible](#)
You'll need: details of at least 1 future investor, a business plan, 3-year financial forecast, latest accounts, a cover letter
2. [Issue shares and get the money](#)
You'll need: board resolution, meeting minutes, share certificates issued to the investor; inform the Companies House on the allotment of shares via SH01s form.
3. [Apply to HMRC for certificates for investors to claim relief](#)
You'll need: SITR compliance statement requesting the SITR certificates.
4. [Watch Investor use the tax relief](#)
Conditions: to claim tax return for the previous year, use Self Assessment. For the current year, either change PAYE tax code or adjust accounts due on Self Assessment.

EMI Share Options Scheme

Enterprise Management Incentive (EMI) allows you to motivate key employees by granting share options rather than paying cash. Once approved, these share options incur no income tax or National Insurance fees, and the Capital Gains Tax upon sale is usually charged at a reduced 10% rate.

You can grant no more than **£250,000** per employee, and a total of **£3 million**. The employees have to work at least 25 hours per week or 75% of their working time for the company to qualify. A single employee can't own more than 30% of your business.

Does your company qualify?

- Your gross assets are under £30m
- You're not an investment company
- You're not controlled by another company
- You have fewer than 250 employees
- You're not in banking, farming, property development, legal services or shipbuilding

How to get it:

1. [Design your company EMI scheme](#)
You'll need to: calculate the company's value, set the qualifying criteria for employees, decide on the shares' type and conditions to exercise options.
2. [Apply for HMRC approval](#)
You'll need: your company's valuation report showing unrestricted market value and actual market value, VAL231 application form
3. [Grant options](#)
You'll need to: prepare board approval, prepare and sign EMI contracts with employees
4. [Register with HMRC](#)
You'll need to: fill out an online HMRC form

Entrepreneurs' Relief

Entrepreneurs' relief allows you to reduce Capital Gains Tax to **10%** when you sell or close your business. You can claim this relief within 2 years after the deal and as many times as you want, up to **£10 million** of relief during your lifetime.

Does your company qualify?

- You're a sole trader or business partner
- You've owned your business for at least 2 years before you sell it

How to get it:

Include in your [Self Assessment Tax Return](#)

You'll need to: fill out Section A of the Entrepreneurs' Relief helpsheet

Capital Investment Allowances

Capital Investment Allowances enable you to claim **100%** tax relief on up to **£1 million** spent on plant and machinery in the first year of purchase.

Does your company qualify?

- You bought 'plant and machinery', including lifts, heating systems, air-conditioning, water or electricity, fire alarm, CCTV, fitted kitchens or bathroom suites.
- You bought cars for your business, like lorries or vans, but not personal cars
- You own the assets, not lease them

How to get it:

Include in your [Tax Return](#) for the year you bought assets

You'll need to: include a separate calculation

R&D Tax Credit

Research and Development (R&D) tax relief allows your company to reduce Corporation Tax by deducting +130% of R&D costs from yearly profit, on top of the normal 100%, so 230% in total. If you make a loss, you can claim a tax credit worth up to 14.5% of the surrenderable loss.

You can claim R&D for the past 2 years if you haven't yet and do so every year.

Does your company qualify?

- You have fewer than 500 employees
- Your turnover is under €100m or a balance sheet total under €86m (yes, euro)
- The project your claim as R&D advances science or technology

How to get it:

1. Prepare R&D Technical Document

You'll need to: prove you're making advance for the whole field, show that a simple professional could not work this out, show there was uncertainty you tried to overcome

2. Calculate maximum claim

You'll need to: work out all the costs you can attribute to R&D; reduce subcontractor costs to 65%; add all costs; multiply by 130%. This is what you add to the original R&D expenditure.

3. Submit with full Company Tax Return form (CT600)

4. Support your claim

You'll need to: submit supporting documents online to HMRC after you've filed CT600

Osome helps entrepreneurs save time and money

We offer free advice and consultations on tax efficient investment, tax reliefs and government incentives available for your company. We're an online service for Accounting, company formation and reporting. We answer in a secure chat 24/7 within 15 minutes, even late at night and on weekends, remind you when reports are due, and organize your documents into an online library.

Get a free consultation on tax reliefs suitable for your company



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