

# WEALTHY EXTERNAL FORUM BRIEFING

**Date of Briefing**

9 August 2021

**Project Title**

EIS Company requirement failure – Investor compliance

**Purpose: What is it you want to share with the group?**

Enterprise Investment Scheme or Seed Enterprise Investment Scheme Income Tax relief may need to be partially or wholly withdrawn when an investment no longer qualifies. This typically happens when the company no longer meets one of the requirements. Investors may not know a special assessment needs to be made in these circumstances because the company hasn't notified them or the investor may have been notified but is unaware of the tax implications.

We will write to investors who have potentially been impacted by a requirement failure which occurred during or before July 2019 to obtain the details we need to make an assessment. At the same time, we will highlight there may be Capital Gains Tax consequences to ensure all the personal tax implications are dealt with.

**Author: Which part of HMRC is leading on the work and who is the contact?**

Wealthy

**Detail:**

The letter invites the recipient to provide the information we need to make the assessment to withdraw relief. For Income Tax purposes, HMRC need to know the date and amount of the investment(s), which year(s) relief was given and how much relief was given. We want to make it easy for investors to give us the information, so we've prepared a schedule which highlights the information we need. For Capital Gains Tax purposes, customers will be invited to contact us to discuss the deferral relief and disposal relief implications. We're asking customers to contact us because the rules can be complex depending on the specific circumstances of the claim.

We are writing to customers who have been identified by the company as being investors, but who haven't provided us with the details we need. Some investors who have already notified us may also receive a letter however they do not need to reply.

The letter will be sent to nominated agents where one has been appointed.

If the relief claim was made before the investment ceased to qualify, we will make a special assessment to withdraw the relief and there will be no penalty. Alternatively, if the relief claim was made after the investment ceased to qualify, inaccuracy penalties may be charged. Similarly, if a revived deferred gain has been omitted from a return, inaccuracy penalties may be charged. If an individual has failed to notify their chargeability to Income Tax or Capital Gains Tax, failure to notify penalties may be charged.

We will follow up on all cases without a response to ensure appropriate action is taken to correct the tax position.

Individuals have a right to appeal any assessment we issue within the standard 30-day deadline or extended COVID-19 deadline while it is in operation.

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## Timing

We plan to issue the next batch of letters in the middle of August 2021. Further batches of letters will be issued in the coming months.

## Other relevant information

We have updated the letter to confirm the date we need is the date the shares were issued and to clarify when penalties may apply.

A copy of the letter has been attached below

It is also to be understood that, due to various external factors outside of our control, the dates that letters are to be issued may be subject to change.

## Appendices



Phase 2 customer  
letter.pdf

Please note that the telephone number and email address on the attachment are only for this specific exercise. If you have general queries relating to EIS/SEIS investments, please use the normal channels (PT Operations 0300 200 3310 or the Agent Helpline 0300 200 3311).