**Enterprise Investment Scheme and Societies**

**Introduction**

Enterprise Investment Scheme (EIS) is a government incentive which offers 30% tax relief on shares invested in qualifying societies. Many larger community share offers have included EIS, such as FC United and Drumlin Wind. EIS shares can not be withdrawn for three years. EIS community shares are fully at risk, but this risk can be reduced using loss relief.

The government announced an extension of EIS from April 2012 - Seed Enterprise Investment Scheme. Seed EIS offers *50%* tax relief on shares invested. Seed EIS offers an exciting and significant benefit to members of Co-op or Community Benefit Societies.

For example, if a member bought £100 of shares in a Society, she would benefit from £50 tax deduction from their next tax bill. Seed EIS is ideal for start up Societies seeking up to £150,000 in a community share issue. The Energy Saving Co-op was probably the first Society to offer community shares with Seed EIS, in April 2013.

If the Society were to fail, normal rate tax payers risk losing £40 of every £100 invested, with Seed EIS and loss relief (or £25 for higher rate tax payers).

**How to benefit from Enterprise Investment Scheme**

To offer EIS to members, a Society should:

1. Meet the four community shares elements – a business plan, registration as a Co-operative or Community Benefit Society, a community built around the Society, and an offer document.
2. Apply to HMRC for ‘advance approval’ – allowing 6 weeks for their response. [www.hmrc.gov.uk/eis](http://www.hmrc.gov.uk/eis)

In addition, to offer Seed EIS, a Society should:

1. Be seeking no more than £150,000 in a community share issue. Simultaneous and/or subsequent share issues may be issued, and could qualify for EIS but not Seed EIS.
2. Be trading for less than two years.
3. Allow more time for HMRC to issue “advanced assurance” - in September 2012 HMRC had no systems in place for Seed EIS applications.
4. Visit [www.seis.co.uk](http://www.seis.co.uk) and [www.hmrc.gov.uk/seedeis](http://www.hmrc.gov.uk/seedeis) for more information.
5. Keep in touch with CBC – your Society may become the first to obtain Seed EIS.

**EIS Exclusions**

1. Companies, including Community Interest Companies and Limited Liability Partnerships, can not issue withdrawable share capital. Only Co-operative or Community Benefit Societies may issue withdrawable share capital.
2. EIS excluded activities included financial services, farming, land, property development, hotels, care homes. The full list of exclusions is at [www.hmrc.gov.uk/eis/part2/2-4.htm](http://www.hmrc.gov.uk/eis/part2/2-4.htm). Companies cannot get EIS on most business models which depend on Feed-in Tariffs, but Societies may do so.
3. Corporate members can not benefit from Enterprise Investment Scheme tax relief, only individual members.
4. Non tax payers can not benefit from EIS tax relief. Individual members can only benefit from EIS tax relief if they pay tax, such as income tax or capital gains tax.
5. Employees of a Society can not benefit from EIS, but Directors can.