

A Guide to VCTs, EIS, SEIS, and Business Relief

Tax-advantaged investments to support growing businesses while reducing your tax bill

This guide contains 14 pages and will take approximately 12 minutes to read



Tax-Efficient Investing

Discover how government-backed tax reliefs can help you support innovative UK businesses while potentially reducing your income tax, capital gains tax, and inheritance tax bills.

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What Are Tax-Advantaged Investments?

The UK government offers generous tax relief to encourage investment in small growing businesses. These schemes may have immediate or long-term implications for growth.

Other UK tax incentives, such as Enterprise Investment Schemes, including income tax relief of up to 30% and potential exemption from capital gains tax, are available too.

The Main Schemes

- Enterprise Investment Schemes (EIS)
- Venture Capital Schemes (VCS)
- Seedcorn Investment Schemes (SIS)
- Venture Capital Trusts (VCTs)
- Business Relief for LLPs



Key Allowances for 2025/26

These are the maximum amounts you can claim and the tax relief available under each allowance in the current tax year.

Your Annual Investment Limits

£1m EIS annual limit (£2m for KIC companies)	£200,000 SEIS annual limit	£200,000 VCT annual limit
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Information accurate as of January 2026

£1.6bn EIS investment in 2023/24	£242m SEIS investment in 2023/24	£873m VCT investment in 2023/24
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Enterprise Investment Scheme (EIS)

The Enterprise Investment Scheme offers substantial tax relief for investing in qualifying small companies. It's designed for investors willing to take on higher risk in exchange for significant tax benefits.

Tax Reliefs Available

- 30% income tax relief on investments up to £1 million (£2 million for Knowledge Intensive Companies)
- EIS exemption on gains when shares are sold after 3+ years
- EIS relief by reinvesting gains from other assets into EIS shares
- Loss relief if the investment fails, offsetting losses against income or CGT

Qualifying Criteria

Companies must have fewer than 250 employees, be up to 7 years of age (commenced up to 10 years for EIS), and conduct a qualifying activity. Eligible activities include financial services, property development, and R&D operations.

Did you know?

Investors can also benefit from EIS relief on the proceeds of IPOs, provided the company has been EIS-eligible and the IPO proceeds are reinvested in EIS shares within 3 years of the IPO completion.

Seed Enterprise Investment Scheme (SEIS)

SEIS offers the most generous tax reliefs of any UK investment scheme, targeting early stage businesses. It carries higher risk but provides significant tax benefits.

Tax Reliefs Available

- 50% income tax relief on up to £100,000 invested
- 50% investment relief averaging 50% of gains up to £100,000
- 50% exemption on 50% share gains after 3 years
- 100% relief if the company fails

Qualifying Companies

SEIS companies must be UK based, have less than 25 employees, and have raised less than £500,000 in total funding. The company must also be a new business.

Maximum Effective Relief

SEIS offers the most generous tax reliefs of any UK investment scheme. With an effective rate of 50% on 50% of the investment it's the complete, early investment package for UK.

SEIS Key Figures

50%

£100,000

3 years

EIS vs SEIS: Which Is Right for You?

Both schemes offer generous tax relief but target different types of companies and investors.

EIS

- ✔ 30% income tax relief
- ✔ 20% capital gains tax relief
- ✔ 10% inheritance tax relief
- ✔ 10% relief on interest
- ✔ 10% relief on dividends
- ✘ No relief on interest
- ✔ 10% relief on dividends

[Learn More](#)

HIGHER RELIEF

SEIS

- ✔ 30% income tax relief
- ✘ 20% capital gains tax relief
- ✘ 10% inheritance tax relief
- ✔ 10% relief on interest
- ✔ 10% relief on dividends
- ✔ 10% relief on dividends
- ✘ 10% relief on dividends

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SAMPLE - FULL GUIDE AVAILABLE

Venture Capital Trusts (VCTs)

VCTs are listed investment companies that pool investor money to invest in a diversified portfolio of small, unquoted companies. They offer a more hands-off approach to the venture capital industry.

Tax Reliefs Available

- VCTs receive tax relief on up to £1,000,000 invested (including in VCTs) from April 2020.
- Tax-free dividends from VCT shares (no holding period required)
- EIS exemption on VCT shares (no holding period required)

Key Differences from EIS/SEIS

Unlike EIS and SEIS where you invest directly in companies, VCTs are managed funds. This provides diversification across many companies but means you cannot claim tax relief on individual companies. The 5-year holding period applies only to those invested in VCTs.

Types of VCT

- Generalist VCTs invest in a wide range of sectors
- Specialist VCTs focus on specific industries like technology or healthcare
- EIS VCTs invest in EIS-eligible companies

Changes from April 2026

VCTs receive tax relief from 20% to 20% from 6 April 2026 (including within the 100-hour rule of the higher EIS rate).

Comparing All Schemes at a Glance

This table compares the key features of each tax advantage investment scheme to help you choose the right option.

Feature	EIS	SEIS	VCT
Income tax relief	30%	50%	30% (20% from Apr 2026)
Annual limit	£1m (£2m KIC)	£200,000	£200,000
Minimum holding	3 years	3 years	5 years
CGT exemption	Yes	Yes	Yes
Loss relief	Yes	Yes	No
Carry-back	Yes (1 year)	Yes (1 year)	No
Diversification	Single company	Single company	Portfolio

Don't forget the other options
 For more information, visit our website at [www.investor.gov.uk](#). Contact our
 advisors for further information, for assistance, and more on
 other investment options.

Business Relief for IHT Planning

Business Relief (BR) can reduce the inheritance tax (IHT) liability on qualifying business assets. It is an increasingly important planning tool, especially with changes coming in April 2026.

Under BR, a 100% relief can be claimed on 100% of the value of the business assets, effectively reducing the IHT liability to zero.

Key Changes from April 2026

- 100% relief will be available for 100% of the value of qualifying assets.
- 100% relief will be available for 100% of the value of the assets.
- 100% relief will be available for 100% of the value of the assets.



Case Study: Robert's Tax Planning Strategy

By using VCTs, EIS, and Business Relief, Robert can reduce his tax liability significantly.

RH

Robert Harrison, 55
Entrepreneur, investor, and philanthropist
Wants to reduce his tax liability

His goals: Reduce income tax Defer CGT on sale Leave more to family

Taxable income	£200,000
Capital gain	£500,000
Estate value	£2.5m

Without planning

Income tax (45%)	£90,000
CGT on sale (20%)	£100,000
Total tax now	= £190,000

With VCTs, EIS, and Business Relief

EIS relief (£200k × 30%)	- £60,000
VCT relief (£200k × 30%)	- £60,000
Tax reduction	= £120,000

Key Takeaways

By combining VCTs, EIS, and Business Relief, Robert can reduce his tax liability significantly. This strategy allows him to defer capital gains tax on the sale of his business and reduce his income tax liability. Additionally, the use of VCTs and EIS provides further tax relief, resulting in a total tax reduction of £120,000. This strategy is particularly beneficial for entrepreneurs and investors looking to optimize their tax position and leave more to their family.

Your Next Steps

Ready to explore the advantages of investment? Here's how to get started.

1 Review your tax position 15 MINS

Review your current tax return and check your income tax rate, any capital gains, and your RIT exposure. This helps identify which credits are most valuable to you.

2 Consider your tax tolerance 10 MINS

These investments carry higher risk than traditional funds. Be certain you have enough liquidity you can accept and how long you can hold them.

3 Check the April 2026 deadline 5 MINS

If you're considering a 20% investment, you must invest by April 2026 under a 20% rate and after that 20%. Business relief rates also change significantly.

4 Seek a qualified adviser 5 MINS

Engage with a financial adviser who can assess your circumstances, recommend suitable investments, and ensure you meet all the qualifying criteria.

Ready to explore your options?

Get in touch with [our experts](#) or visit [www.investment.com](#) to explore your options.



Your Financial Adviser

Making Tax Work Harder for Your Future

The advantages investments offer a powerful way to reduce your tax bill while supporting the UK's most innovative businesses. With significant changes coming in April 2026, now is the time to review your options and plan ahead.

Ready to take the next step?

Our team of experienced financial advisers is here to help you make the most of your financial planning opportunities.

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