The Foresight Guide:

Enterprise Investment Schemes

2025/26

Foresight

What is an Enterprise Investment Scheme (EIS)?

The Enterprise Investment Scheme (EIS) is a tax-efficient investment that was introduced by the UK Government in 1994 to incentivise investment into smaller UK companies. The scheme has raised over £32 billion and supported over 56,000 businesses across the last three decades*. In September 2024, the Government committed to extending the scheme until April 2035. Investors are incentivised with relief on Income Tax, Capital Gains Tax and Inheritance Tax.

Source: HMRC EIS Tax Relief Statistics May 2025

1. EIS Portfolio

- Although qualifying rules determine the companies that can be held, a range of risk is available in this investment
- Invest in a range of qualifying companies
- The companies held will typically be larger than those in an SEIS

There are

3

types of EIS

2. Single Investment Company EIS

- Invest directly into one business
- Typically used by investment professionals
- Used specifically to back companies in which the investor has a lot of confidence

3. Seed EIS

- Investing into smaller businesses than a standard EIS
- Additional reliefs are available as a result to compensate for the extra risk of a smaller business

Headline Reliefs

Due to the benefits that smaller businesses bring to the UK economy, HM Treasury offers a range of tax advantages to incentivise you for investing in these businesses through an EIS. You must hold your investment for a minimum of three years to take full advantage of the tax reliefs which are listed below:

Income Tax Relief

30% Income Tax relief on the amount invested. Income Tax relief can be claimed against the tax year of the investment and/or the previous tax year.

Tax-Free Growth

Growth is exempt from Capital Gains Tax.

Loss Relief

Loss relief may be available at your marginal rate of tax.

Inheritance Tax Relief After Two Years

EIS shares qualify for Business Relief so the investment is exempt from Inheritance Tax so long as it is held for two years, and at the time of your death*.

Capital Gains Tax Deferral

Capital Gains can be deferred from three years prior and one year post investment.

* From April 2026, 100% IHT relief available on the first £1 million of BR qualifying assets, with 50% IHT relief available thereafter.

Additional Benefits

Tax Relief

Qualify for tax relief and/or deferral on Income Tax, Capital Gains Tax and Inheritance Tax. EIS investors also benefit from the offer of loss relief.

Create a contribution of tax reliefs with an EIS that, in a single investment, can mitigate a number of tax planning issues.

Higher Contribution Limits

Complement your pension and ISA portfolio with a tax-efficient investment with a higher annual contribution.

There is an allowance of up to £2m in any tax year, provided that investments after the first £1m are made into knowledge intensive businesses.

Diversifying Your Portfolio

Smaller companies typically follow different investment cycles from other parts of the market, so an EIS can bring extra diversification to your investment portfolio.

Investment Opportunities

EISs are considered a higher risk investment; however, portfolios will differ in their investment focus.

Growth Potential

Help smaller companies to generate wealth and contribute to the UK's economic growth.

Smaller UK businesses can offer more potential for substantial long-term growth if they are successful.

The Rules

- **The investment must** be into new shares
- **The investee company must** have fewer than 250 employees
- **The investee company must** use the money raised within 24 months
- **Companies must** be unquoted or listed on the Alternative Investment Market (AIM)
- **The company must not** be controlled by another company
- **Any investment of EIS funds must not** exceed more than £10 million per 12 month period
- **Certain trades are excluded** for example Mining and Financial Services companies
- **For any new investments** there is an investment cap of £12 million (£20 million for 'knowledge intensive' businesses which may also have up to 499 employees)
- **For any new investment,** managers are no longer able to finance Management Buy-Outs or Acquisitions
- **For all new investments,** a qualifying company must be no more than 12 years old, unless fundraise will fundamentally change business activity and must have made their first commercial sale within the last seven years
- **For all new investments,** knowledge intensive companies must have made the first commercial sale or reached turnover of £200,000 in the last 10 years

The Risks

Tax rules are subject to change.

If you sell your shares early, you will lose the tax relief

Investing in small companies is inherently risky; these companies may not perform as hoped and in some circumstances may fail completely.

Your capital is at risk; you may not get back as much as you put in and in the worst case scenario you could lose all of your capital.

EISs should be considered longer term investments

Who could benefit from EIS investing?

An individual who:

Wants to reduce their Income Tax liability

Has a medium to long term investment horizon and accepts the increased risk profile

Holds cash and is looking for a better rate of return

Has paid a CGT bill in the last three years, or who owns property, land, shares or other investments and wants to defer CGT - and subsequent inheritance tax - on disposal

Is close to the annual allowance for pension contributions

Is a non-domiciled individual wishing to remit overseas income and gains to the UK, tax-efficiently

Has a combination of tax issues that they would like to address

Has IHT issues, but is not attracted to trusts

Foresight Highlights

A leading investment manager in real assets and capital for growth founded in

1984

More than **40,000**
retail investors

Private equity investment team managing over

£1.8 billion

of retail & institutional funds in a portfolio of

250+ companies

£13.2 billion

of assets under management - energy infrastructure and private equity

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eisa enterprise investment scheme association EISA AWARDS 2024 WINNER EISA IMPACT AWARD

eisa enterprise investment scheme association EISA AWARDS 2023 WINNER BEST EIS INVESTMENT MANAGER

GROWTH INVESTOR 2024 AWARDS FINALIST EXIT OF THE YEAR

Correct as at 31 March 2025

Other Guides from Foresight:

- Foresight Guide to **BR**
- Foresight Guide to **IHT**
- Foresight Guide to **VCTs**

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EIS products designed to manage tax liabilities are not suitable for all investors and will place investors' capital at risk, and you may not get back the full amount invested. The tax scenarios shown are indicative and are subject to change. Please note that the availability of the EIS tax reliefs is dependent on each investor's individual circumstances. EIS tax reliefs are subject to change, investments may also rely on the company or investment opportunity in question meeting EIS qualifying criteria which are not guaranteed.

Foresight does not provide financial, legal, investment or tax advice, and therefore potential investors should seek specialist independent tax and financial advice before deciding to invest. Past performance should not be taken as a reliable indicator of future results and forecasted returns are not guaranteed. The EIS products are long term investments and you may not be able to get your money back out before the end of the investment term. Please see the relevant offering document for full details where attention should be paid to the risk factors set out.

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