UKPropTech ASSOCIATION

KNOWLEDGE HUB

By UK PropTech Association in partnership with Ministry of Housing, Communities and Local Government

A Founder's Guide to SEIS and EIS

For UK PropTech Startups

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Contents

Disclaimer

1. What are SEIS and EIS?

The Seed Enterprise Investment Scheme (SEIS) and the Enterprise Investment Scheme (EIS) are UK government tax relief schemes designed to encourage private investment in early-stage, higher-risk companies by reducing investors' personal tax risk (HMRC, Income Tax Act 2007, Parts 5 and 5A; GOV.UK SEIS Guidance).

Why these schemes exist

Early-stage startups carry a high risk of failure, and many private investors would not invest without some form of downside protection. SEIS and EIS address this by offering income tax relief, capital gains tax relief, and loss relief on qualifying investments, making early-stage investment more financially viable (HMRC VCM; GOV.UK).

How they work in practice

The schemes apply when investors purchase newly issued shares in qualifying UK companies. If the company and investment meet the rules, investors can claim tax relief on their personal tax return (HMRC VCM).

Why this matters for PropTech founders

For PropTech and other technology founders, SEIS and EIS can materially improve fundraising outcomes. These schemes often increase investor confidence, expand your potential investor pool, and help close rounds more quickly, particularly at the pre-seed and seed stage, because investors receive meaningful tax incentives alongside equity upside (HMRC VCM; SeedLegals; BDO).

2. Key Differences Between SEIS and EIS

Feature	SEIS	EIS
Target stage	Pre-seed / Seed	Seed / Series A
Max company raise	£250,000	£5m in any 12 months
Lifetime company limit	£250,000	£12m (see 2026 changes below)
Investor tax relief	50% income tax relief	30% income tax relief
Investor annual limit	£200,000	£1,000,000 (£2m if ≥£1m in knowledge-intensive companies)
Gross assets (before issue)	≤ £350,000	≤ £15m
Gross assets (after issue)	≤ £350,000	≤ £16m
Employees (full-time equivalent)	< 25	< 250
Company age	< 3 years	< 7 years (or <10 for KICs)
Spend deadline	Within 3 years	Within 2 years

The table compares SEIS and EIS at a high level, but founders usually want to know: *Which scheme fits my company right now, and how does that affect my fundraising strategy*

SEIS vs EIS: Key Eligibility & Structural Differences

The table below summarises the core differences between SEIS and EIS across stage, limits, eligibility thresholds and investor relief. The wording and figures reflect the scheme rules exactly as outlined, allowing founders to compare both schemes side by side.

Category	SEIS	EIS	Takeaway
1. Target Stage: When Each Scheme Is Meant to Be Used	SEIS is designed for very early-stage companies, typically pre-seed or first-seed rounds.	EIS is designed for companies that have some traction and are raising a larger round, often a seed extension, Seed+, or Series A.	Most companies that qualify will use SEIS first, then move to EIS in later rounds.
2. Maximum Company Raise & Lifetime Limits	You can raise a maximum of £250,000 total, ever, under SEIS.	You can raise up to £5m in any rolling 12-month period, with a £12m lifetime cap (or higher for Knowledge-Intensive Companies).	SEIS is a small, early round. EIS supports larger and multiple rounds over time.
3. Investor Tax Relief	Investors get 50% income tax relief.	Investors get 30% income tax relief.	SEIS is more attractive to angel investors, which often makes early fundraising easier, especially when you don't yet have strong traction.
4. Investor Annual Limits	An individual investor can invest up to £200,000 per tax year.	An individual can invest up to £1m per year, or £2m if at least £1m goes into Knowledge-Intensive Companies.	SEIS rounds often require more investors writing smaller cheques. EIS allows larger individual tickets.
5. Gross Asset Limits (Before and After the Raise)	**Before issue:** ≤ £350,000 **After issue:** ≤ £350,000	**Before issue:** ≤ £15m **After issue:** ≤ £16m	SEIS is for very early-stage balance sheets. If your company has already built meaningful assets, you are likely in EIS territory.
6. Employee Limits	Fewer than 25 full-time equivalent (FTE) employees.	Fewer than 250 FTE employees.	Headcount is a hard eligibility line, not a guideline. Contractors may or may not count, depending on the

			structure; get advice if close to the threshold.
7. Company Age	The company must be less than 3 years old at the time of the share issue.	Company must be less than 7 years old, or less than 10 years if it qualifies as a Knowledge-Intensive Company (KIC).	These clocks start from your first commercial sale, not incorporation. Many founders get this wrong; it's one of the most common causes of ineligibility.
8. Spend Deadlines	Money must be spent within 3 years of the share issue.	Money must be spent within 2 years of the share issue.	You need a credible plan to deploy the funds to a qualifying activity within these timelines. HMRC can claw back relief if funds are not used correctly.

What Founders Should Know at a Strategic Level

- SEIS first, EIS later, is the standard fundraising pathway for qualifying startups.
- Your business model, structure, and activities must align with HMRC's definition of a qualifying trade, especially important in PropTech, given the excluded property activities.
- The limits are strict thresholds, not flexible guidelines. Going even slightly over can invalidate relief.
- Planning early before your first angel round avoids costly restructuring later (Taylor Wessing; SeedLegals).

3. SEIS: Core Eligibility Rules

To qualify for SEIS, your company must meet all of the core HMRC conditions at the time the shares are issued and for a minimum period afterwards, including requirements around trading activity, company age, asset limits, independence and use of funds.

Company Requirements

Your company must be:

- UK-incorporated and unquoted (i.e. not listed on a recognised stock exchange).
- Carrying on its business in the UK, with a permanent establishment here.
- Have gross assets of no more than £350,000 immediately before the share issue.
- Employ fewer than 25 full-time equivalent employees at the time of the share issue.
- Be less than three years old when the SEIS shares are issued.
- Not previously raised SEIS funding.
- Not have received significant prior risk finance, such as large EIS or VCT funding, beyond limited permitted thresholds.

These rules exist to ensure SEIS is targeted at genuinely early-stage, high-risk companies rather than more established businesses.

Fundraising Limits

SEIS has strict caps:

- A company can raise a maximum of £250,000 in total under SEIS across its lifetime.
- An individual investor can invest up to £200,000 per tax year under SEIS and still qualify for relief

This makes SEIS best suited for pre-seed and early seed rounds, often alongside founder capital or early customer revenue.

Use of Funds

SEIS funds must be used in specific ways:

- The money must be spent on a qualifying business activity, meaning your company's main trade must not fall into an excluded category such as property development, leasing, or financial services.
- The funds must be used within three years of the share issue.
- You cannot use SEIS funds to buy shares in another company unless it is a 90% qualifying subsidiary and the funds are then used by that subsidiary for a qualifying trade.

In practical terms, this means SEIS funding should go into building and growing your product, team and customer base, not into restructuring ownership or holding passive investments, and it should support genuine trading activity aligned with your stated growth plans and commercial objectives.

4. EIS: Core Eligibility Rules

The Enterprise Investment Scheme (EIS) is designed for companies that are further along than SEIS, but still operating in higher-risk, growth-stage markets (Income Tax Act 2007, Part 5), typically with early revenues, growing teams, more complex operations and a clearer path to scaling commercial activity beyond initial product validation.

Company Requirements

To qualify for EIS, your company must:

- Be UK-incorporated and unquoted (not listed on a recognised stock exchange).
- Have a permanent establishment in the UK.
- Meet the gross asset limits:
    - £15 million or less immediately before the share issue.
    - £16 million or less immediately after the share issue.
- Employ fewer than 250 full-time equivalent employees at the time of the share issue.

- Be less than seven years old when it makes its first commercial sale, or less than ten years if it qualifies as a Knowledge-Intensive Company (KIC).
- Be carrying on a qualifying trade on a commercial basis, meaning your main activity must not fall into excluded sectors such as property development, financial services, or energy generation.

These rules aim to ensure EIS supports genuinely growth-focused companies rather than low-risk or asset-backed businesses, by directing tax-advantaged investment towards ventures pursuing innovation, market expansion and long-term value creation, where investor returns are linked to business performance rather than asset appreciation.

Fundraising Limits

EIS has both annual and lifetime caps:

- Your company can raise up to £5 million in any rolling 12-month period across all UK risk finance schemes (including EIS, VCT, and certain grants).
- There is a lifetime limit of £12 million for total risk finance raised (or £20 million for Knowledge-Intensive Companies).

Note: *Lifetime limits have been subject to recent legislative updates and transitional provisions. Founders should confirm current thresholds when fundraising*.

Use of Funds

EIS investment must be used:

- For a qualifying trade, or
- For research and development that is intended to lead to a qualifying trade.
- The funds must be spent within two years of the share issue.

In practice, this means EIS funding should go directly into growing your product, team, and customer base, not into acquiring passive assets or restructuring ownership.

5. Important Changes from 6 April 2026 (EIS)

The UK government has legislated significant improvements to EIS from 6 April 2026, making EIS significantly more flexible for scaling companies. Asset limits double, allowing larger balance sheets to remain eligible, while annual and lifetime fundraising caps increase substantially, especially for Knowledge-Intensive Companies.

Rule	Current	From 6 April 2026
Gross assets (before issue)	£15m	£30m
Gross assets (after issue)	£16m	£35m
Annual fundraising limit	£5m	£10m (£20m for KICs)
Lifetime fundraising limit	£12m	£24m (£40m for KICs)

For founders, this means EIS can support bigger rounds over longer growth timelines without losing eligibility. If you're planning multi-year fundraising or anticipating rapid asset growth, these changes should be built into your long-term capital strategy.

6. Subsidiaries and Group Structures

If your company operates through one or more subsidiaries, your group structure needs to meet specific SEIS/EIS rules. These rules exist to ensure that tax relief supports genuine trading activity rather than passive or asset-based structures .

Qualifying Subsidiaries

In most cases, a subsidiary must be a qualifying subsidiary, meaning:

- The parent company owns more than 50% of the ordinary share capital, and
- The parent company controls the subsidiary.

This level of ownership ensures that the trading activity and risk remain with the company receiving the investment.

When 90% Ownership Is Required

In some situations, HMRC applies a stricter test and expects the parent to own at least 90% of the subsidiary. This is particularly relevant where:

- The subsidiary carries out the activity funded by the SEIS or EIS investment**,** or
- The subsidiary's activities involve land, property development, or property management, which are more closely scrutinised under the qualifying trade rules.

These higher thresholds help prevent structures where risk capital is indirectly used for excluded or asset-backed activities.

Practical Guidance for Founders

Group structures can quickly become complex, especially for PropTech businesses that operate across development, deployment, and asset layers. Founders should seek professional advice before applying for Advance Assurance or issuing shares, as small structural issues can invalidate relief across the entire investment (HMRC VCM; GOV.UK Advance Assurance Guidance).

7. Excluded Activities (Key for PropTech)

Not all business activities qualify for SEIS or EIS. HMRC excludes certain trades because they are considered asset-backed or lower-risk from an investor's perspective (Income Tax Act 2007).

For PropTech founders, the most relevant excluded activities include:

- Property development
- Property investment
- Letting or managing property

- Land dealing
- Most forms of energy generation (since April 2016)

This does not mean PropTech companies are excluded. Technology-led businesses such as SaaS platforms, data analytics tools, infrastructure software, and property operations systems are usually eligible, provided their revenue is primarily derived from providing technology or services, not from owning, developing, or letting property.

Practical guidance for founders

If your business touches property or infrastructure, the key question HMRC will ask is: "Where does the company's commercial risk and revenue really sit?"

If most of the value comes from software, data, or services, you are usually in scope. If value comes mainly from owning or trading assets, you are likely out of scope.

Founders with mixed models (e.g. software + asset ownership, or platform + property operations) should seek advice early, as small structural choices can determine whether SEIS/EIS relief is available.

Not all business activities qualify for SEIS or EIS. HMRC excludes certain trades because they are considered asset-backed or lower-risk from an investor's perspective.

8. Advance Assurance (Optional but Strongly Recommended)

Advance Assurance is HMRC's non-binding confirmation that your company is likely to qualify for SEIS or EIS based on the information provided, giving founders and prospective investors early confidence on eligibility, while noting that final approval depends on the actual share issue and continued compliance.

What founders should know?

- It is not legally required**,** but most angel investors and early-stage funds expect it before committing capital.
- There is no formal expiry date, but it only remains valid as long as your business facts do not materially change.
- If anything changes, such as your business model, share structure, use of funds, or ownership, this must be disclosed when you later submit your compliance statement.
- Advance Assurance is not binding on HMRC, but it provides strong comfort to investors and significantly reduces deal friction.

Why it matters in practice

For founders, Advance Assurance acts as a risk-reduction tool in fundraising. It signals to investors that your company has been reviewed against HMRC's eligibility criteria and is unlikely to face issues when formal SEIS/EIS certificates are later issued.

In practice, many investors will not proceed without it, particularly for first-time founders, PropTech businesses with complex models, or companies operating near excluded activity boundaries.

9.SEIS and EIS Shares

To qualify for SEIS or EIS, the shares you issue must meet strict conditions set by HMRC, including being ordinary shares, fully paid in cash, with no preferential rights to assets or dividends that could reduce investor risk or returns.

Core requirements

- Shares must be newly issued ordinary shares, not existing shares being transferred.

- Shares must be paid for in full in cash at the time of issuance.
- Shares must not be redeemable under any circumstances.
- Shares must not carry preferential rights, particularly:
    - No preferential rights to assets on winding up.
    - No cumulative, variable, or guaranteed dividend rights.
    - No rights that protect investors from downside risk beyond standard shareholder rights.

Why these matters

HMRC's goal is to ensure that investors are taking real equity risk, not holding a debt-like instrument with built-in protection. Even well-intentioned clauses such as liquidation preferences, redemption rights, or guaranteed returns can disqualify an investment from SEIS/EIS eligibility if structured incorrectly.

For PropTech founders, this means your term sheet and articles of association should be reviewed carefully before issuing SEIS/EIS shares, especially if you are using investor-friendly templates or adapting terms from later-stage rounds.

9. Advanced Subscription Agreements (ASAs)

ASAs are commonly used to raise money before a priced round, but they must be structured carefully if you want the investment to qualify for SEIS or EIS, as certain terms around conversion, valuation caps or investor protections can affect eligibility.

Key HMRC requirements for SEIS/EIS eligibility

To qualify, an ASA must:

- Do not allow subscription money to be refunded.
- Not pay interest or any form of return before conversion.

- Not capable of variation, cancellation, or assignment.
- Include a longstop date by which the ASA must convert into shares.
- Result in shares being issued on or before the longstop date.

For SEIS in particular, HMRC expects the longstop date to be no more than 6 months from the subscription date. Longer periods increase the risk that HMRC will treat the ASA as a loan, which would disqualify relief.

Practical guidance for founders

ASAs help move quickly, but small drafting mistakes can make the entire investment ineligible for tax relief. For PropTech founders, this is especially important if you are relying on angel investors who expect SEIS/EIS.

Always ensure your ASA template has been reviewed for tax compliance, not just commercial terms. Many standard templates used outside the UK or for later-stage rounds do not meet HMRC's requirements (SeedLegals; Taylor Wessing).

10. Compliance and Ongoing Obligations

Once you've issued SEIS or EIS qualifying shares, the process doesn't stop there. There are formal steps you must complete so your investors can actually claim their tax relief.

What happens after the share issue

- After issuing the shares, your company must submit a compliance statement to HMRC to confirm that it has met the relevant SEIS or EIS conditions. This is done using Form SEIS1 for SEIS investments or Form EIS1 for EIS investments. The submission includes details about the company, the share issue and how the funds are being used.

- HMRC will review the compliance statement to check that the company and the share issue meet the scheme requirements. If HMRC is satisfied, it will issue compliance certificates to the company. These are Form SEIS3 for SEIS or Form EIS3 for EIS, which you then pass on to the relevant investors.
- Investors use the SEIS3 or EIS3 certificates to claim the available income tax relief and, where applicable, capital gains tax relief on their investment. The certificates are essential evidence for the investor's tax return and are required before HMRC can process any relief.

Without these certificates, investors cannot claim the tax benefits, even if your company otherwise qualifies, which can delay relief claims, reduce investor confidence and create avoidable friction during or after your fundraising process, particularly if investors are relying on timely tax planning.

Ongoing obligations for your company

After the shares are issued, your company must:

- Continue to meet all qualifying conditions for at least 3 years from the share issue date (or from the start of trading, if later).
- Notify HMRC promptly if any disqualifying events occur during this period.

Examples of disqualifying events include:

- The company is starting a non-qualifying trade.
- A change in control or ownership structure.
- A return of value to investors.
- A breach of independence or risk-finance rules.

If a disqualifying event occurs, investors may lose some or all of their tax relief, which can damage trust and future fundraising prospects.

Practical guidance for founders

This three-year compliance window is not just a formality; it's a risk management period. Many founders focus heavily on getting Advance Assurance and closing the round, but fewer put systems in place to monitor compliance afterwards.

It's good practice to:

- Assign internal responsibility for SEIS/EIS compliance.
- Keep clear records of how funds are used.
- Inform your legal or tax adviser before making major structural or commercial changes during the qualifying period.

11. Final Thoughts for PropTech Founders

SEIS and EIS can be highly effective tools for raising early-stage capital, but they come with detailed rules and increasing HMRC scrutiny. Treating them as part of your company's long-term funding strategy, rather than a one-off tax benefit, will put you in a much stronger position.

What consistently leads to successful outcomes

Founders who navigate SEIS and EIS well typically focus on:

- Clearly positioning a technology-led qualifying trade, rather than a property-led or asset-backed business model, which may fall into excluded activity categories.
- Structuring early rounds carefully, often using SEIS first (where eligible) before moving to EIS, to maximise available investor relief and fundraising flexibility.

- Getting professional advice early, especially on:
    - Group structures and subsidiaries
    - Use of Advanced Subscription Agreements (ASAs)
    - Revenue models involving property, land, or leasing.
- Obtaining Advance Assurance before fundraising, which, while not mandatory, is widely expected by experienced angel investors and early-stage funds.

Why these matters

When structured and managed correctly, SEIS and EIS can:

- Improve investor confidence
- Reduce fundraising friction
- Increase round sizes and close rates
- Support faster product development and market entry for PropTech businesses

At the same time, founders should be aware that eligibility depends not just on their technology, but also on how their business model, revenues, and structure align with HMRC's qualifying trade rules.

13. Sources and Further Reading

- HMRC Venture Capital Schemes Manual (VCM): https://www.gov.uk/hmrc-internal-manuals/venture-capital-schemes-manual
- SEIS Guidance (GOV.UK): https://www.gov.uk/guidance/seed-enterprise-investment-scheme-background
- HMRC Guidance on Applying for Advance Assurance: https://www.gov.uk/guidance/venture-capital-schemes-apply-for-advance-assurance
- Income Tax Act 2007 – Part 5 (EIS) and Part 5A (SEIS): https://www.legislation.gov.uk/ukpga/2007/3/contents
- SeedLegals: https://seedlegals.com
- BDO LLP: https://www.bdo.co.uk
- Wilson Sonsini Goodrich & Rosati: https://www.wsgr.com
- Taylor Wessing: https://www.taylorwessing.com
- GovGrant / Leyton (for PropTech and R&D interpretation): https://www.govgrant.co.uk | https://www.leyton.com