



Ickleton Community Pub Limited (the Society)

How does the tax relief on shares work?

1. HMRC has given the Society advance assurance that our share offer qualifies for tax relief under the Seed Investment Enterprise Scheme (SEIS) and the Enterprise investment scheme (EIS).
2. This means that, as long as circumstances remain as now (the way in which the Society will trade remains as described in the Business Plan for example), then the shares issued to individuals will qualify for SEIS or EIS.
3. SEIS gives individuals income tax relief of 50% and EIS gives income tax relief of 30%. You have to be a UK taxpayer to benefit. SEIS applies to the first £250,000 of shares issued.
4. Once the share offer closes, shares will be formally issued by entering the details in the Share Register. Shares will be issued first to those members who said on the application form that they would like to take advantage of SEIS or EIS. They will be issued in chronological order based on the date payment was received by bank transfer into the Society's bank account or the date we received your cheque. Once the total of shares issued is £250,000 i.e. the shares that will come within SEIS, we have to wait until the next day and then issue the remaining shares which then come within EIS. We will also issue shares to those members not claiming tax relief.
5. After the Society has been trading for at least 4 months, the Society submits information to HMRC about the trade and finances and members wishing to take advantage of the schemes. The Society has to confirm that the conditions for relief which relate to the Society, have been met so far and that it intends to continue to meet them.
6. Providing HMRC is satisfied that the conditions have been met, it will authorise the Society to issue certificates to members which enable them to claim relief. At the appropriate time we plan to give you more information on the process for claiming relief if you pay your tax through PAYE or through Self Assessment.
7. There are a number of conditions which apply to individuals claiming relief including not being an employee, not having a substantial interest in the Society, not being involved in tax avoidance. In particular, you must continue to hold your shares for at least 3 years. The death of an investor does not trigger the withdrawal of any relief given.
8. We expect that certificates will be issued in the tax year 2025/26 but tax relief will be due against tax paid or due by individuals in the tax year 2024/25 i.e. the year in which the shares are issued. You can also elect to elect to treat some of the shares as if they were issued in 2023/24 and so get tax relief in that year if you wish.
9. As a result of the tax refund, your effective cost of the shares will be only 50% or 70% of the face value. This means that when the Society pays interest on those shares, you will, in effect, receive a higher interest yield on your net investment than the published rate. For example, if you invest £1000 which qualifies for the SEIS, you will get £500 tax relief and the net cost of the shares to you will be £500. If the Society pays interest at, say, 3% on your shares, you will receive £1000 x 3% = £30. £30 received on an investment of £500 equates to an effective interest rate of 6%.
10. Providing the conditions applying to the Society and member still apply, then shares should qualify for 100% relief from Inheritance Tax as long as they were held for at least 2 years and are still held at death.