

Investors pour into start-up scheme amid fears of Labour tax rises

Investments into the Seed Enterprise Investment Scheme (SEIS), a [government-backed](#) initiative offering tax reliefs for investors in UK start-ups, have seen a significant increase since the general election, according to new data. Broker Wealth Club reported a 188 per cent year-on-year surge in new money flows into the scheme between the election on 4 July and the end of August.

The research also revealed that the number of investors utilising the scheme approximately tripled during this period, as reported by [City AM](#).

Introduced in 2012, the SEIS aims to stimulate private investment into early-stage, higher-risk businesses by providing tax reliefs to seasoned investors. This surge in investments comes amid growing concerns over potential tax hikes in [October's Budget](#).

Wealth Club described the SEIS as “probably the most tax efficient vehicle available”, especially as Labour reportedly contemplates increasing capital gains tax.

Investors participating in the SEIS can receive up to 50 per cent income tax relief and 50 per cent capital gains tax relief, with any profits also being tax-free. However, the rise in investments can also be attributed to an improving outlook for venture investors, as economic sentiment begins to recover following two challenging years marked by plummeting valuations and fundraising.

“Since the election everyone has been expecting tax rises, with wealthier investors likely to bear the brunt,” commented

Alex Davies, founder and chief executive of Wealth Club.

“Many are feeling twitchy, and SEIS is a hugely tax efficient way to invest for those prepared to take the extra risk. At the same time, we’ve been in the doldrums for a couple of years, but one good thing to come out of it is vastly improved valuations.”

“If this trend continues, it may be the start of a virtuous cycle: better sentiment leads to more investment in young companies, which create a disproportionate number of jobs and economic growth, which in turn improves investor sentiment, leading to more investment. It’s what the country needs.”

The government announced last week an extension for the wider Enterprise Investment Scheme as well as the Venture Capital Trust scheme by a decade, until April 2035.

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