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Enterprise Investment Scheme and Seed Enterprise Investment Scheme

January 2016

Statistics on Companies raising funds

An Official Statistics Release

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Section 1: Introduction

About these statistics

This is an Official Statistics publication produced by HM Revenue & Customs (HMRC). It provides information on the number of companies raising funds, number of subscriptions and amounts raised through the Enterprise Investment Scheme (EIS) and Seed Enterprise Investment Scheme (SEIS), with updated estimates for 2013-14. The figures for 2012-13 include small revisions and minor updates, arising from the receipt of a small number of further EIS1 and SEIS1 forms for these years. These figures are updated on a quarterly basis.

Statistics on the industrial and geographical breakdown of companies, the distribution of companies by the amount of funds raised, and the distribution of investors by the size of their investment were published in October 2015¹ and will be updated in October 2016.

Section 2 summarises the key statistical points, gives an overview of the EIS and SEIS statistics and discusses recent trends. Section 3 provides background information, including a link to further detail on the policy background and key policy changes, and information on the data sources and methodology used to derive these statistics. Copies of EIS and SEIS tables 8.1 and 8.11 are included in Annex A.

HMRC introduced quarterly statistics for EIS and SEIS in March 2015. We noted that we would keep the content of these releases under review and thank those who have provided feedback. Due to the limited information we are able to present in the interim releases, we are proposing to move to a bi-annual release: a release in April to present the latest financial year statistics available (for example, 2014-15 will be published in April 2016) and a release each October to present the additional detail and Self-Assessment derived statistics. Further details regarding this proposal are included in the 'Planned developments and changes' section within the Background Information. We would welcome your feedback on this proposal and will confirm our plans in the April 2016 release.

These statistics are produced to the professional standards set out in the Code of Practice for Official Statistics (2009)². For more information on Official and National Statistics and the governance of statistics produced by public bodies, please see the UK Statistics Authority website: www.statisticsauthority.gov.uk

HMRC Official and National Statistics can be found on the gov.uk website:

<https://www.gov.uk/government/organisations/hm-revenue-customs/about/statistics>

¹ <https://www.gov.uk/government/statistics/enterprise-investment-scheme-and-seed-enterprise-investment-scheme-statistics-october-2015>

² <http://www.statisticsauthority.gov.uk/assessment/code-of-practice/>

Who might be interested in these statistics?

This publication is likely to be of interest to policy makers in government, academics, research organisations, the media, the Venture Capital associations and companies raising funds under Enterprise Investment and Seed Enterprise Investment Schemes. It will be of particular interest to investors investing in Venture Capital schemes.

People interested in this publication may also be interested in the National Statistics publication Venture Capital Trusts (VCT):

<https://www.gov.uk/government/collections/venture-capital-trusts-statistics>

Section 2: Key points and summary

While companies have a period of several years after shares are issued to submit a compliance statement for EIS and SEIS (the EIS1 and SEIS1 forms), the majority of these returns are made within three years. Therefore, the figures in this release for 2013-14 may be revised slightly in future due to applications that have not yet been received.

2.1 Key points

Enterprise Investment Scheme

- Since the Enterprise Investment Scheme (EIS) was launched in 1993-94, over 22,900 individual companies have received investment through the scheme and over £12.3 billion of funds have been raised.
- Revised data for 2013-14 shows that 2,795 companies raised a total of £1,563 million of funds under the EIS scheme. In 2012-13, 2,470 companies raised £1,033 million of funds.
- Revised data for 2013-14 shows that companies raising funds for the first time under the scheme raised a total of £872 million (revised from £840m previously) compared with £576 million in 2012-13.

Seed Enterprise Investment Scheme

- In 2013-14, over 2,000 companies received investment through the Seed Enterprise Investment Scheme (SEIS) and £168 million of funds were raised (revised from £164m previously). This compares with 1,165 companies raising a total of £87 million under SEIS in 2012-13.
- Over 1,750 of these companies were raising funds under SEIS for the first time in 2013-14, representing £152 million in investment.

2.2 Enterprise Investment Scheme (EIS)

EIS: Number of EIS companies and amount of investment

Since EIS was launched in 1993-94, over 22,900 individual companies have received investment through the scheme, and over £12.3 billion of funds have been raised.

The numbers of companies raising funds under EIS and the level of investment have shown similar trends since the scheme was introduced (Figure 1). The number of companies raising funds peaked at 3,315 in 2000-01, but the amount raised in 2013-14 (£1,563 million) far surpasses the previous peak in the amount of funds raised (£1,065 million in 2000-01).

Figure 1: (a) Amounts of funds raised through EIS, 1993-94 to 2013-14 (Revised).

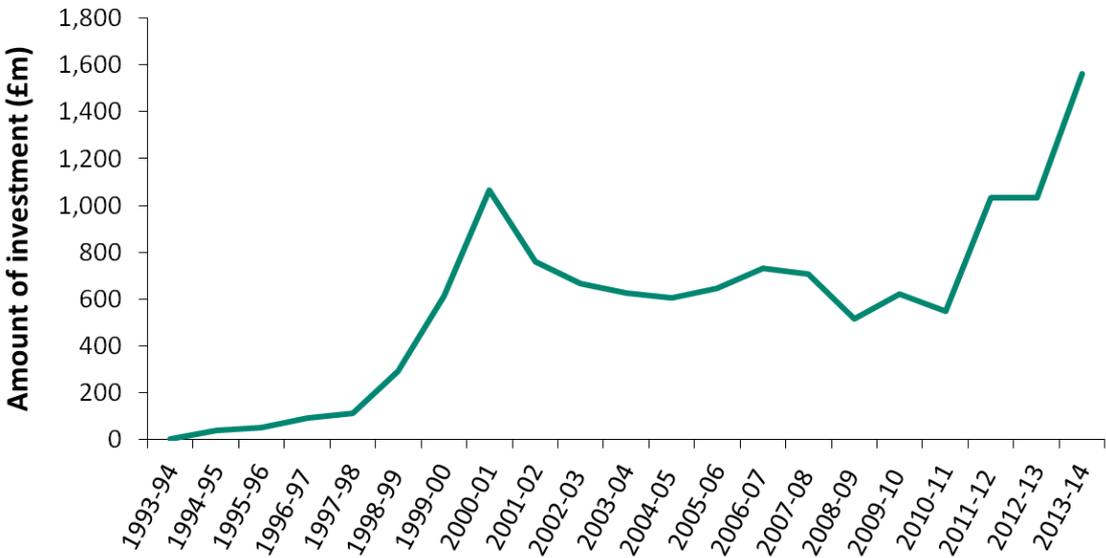
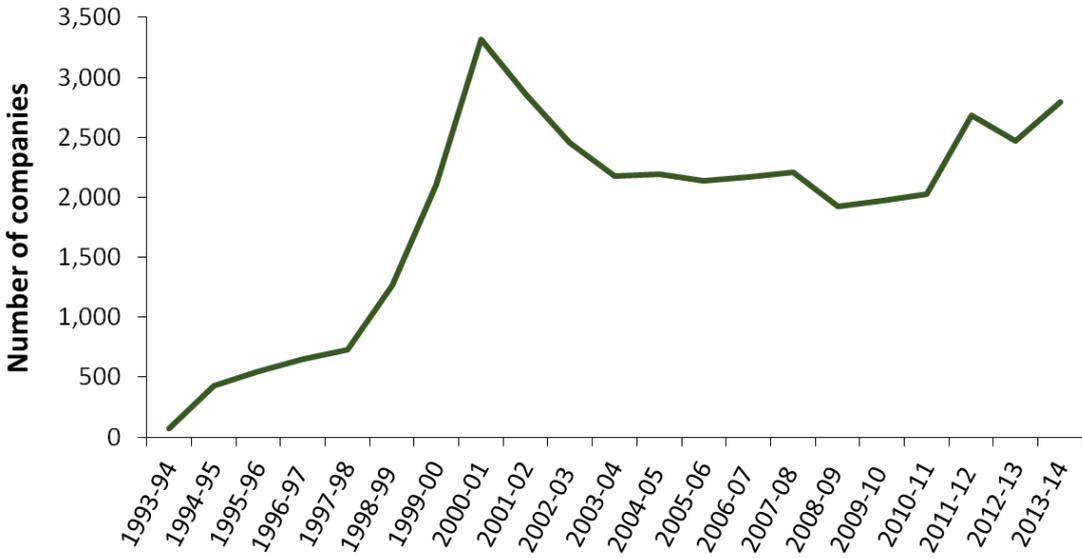


Figure 1: (b) Number of companies raising funds under EIS, 1993-94 to 2013-14 (Revised).



Source: EIS1 forms

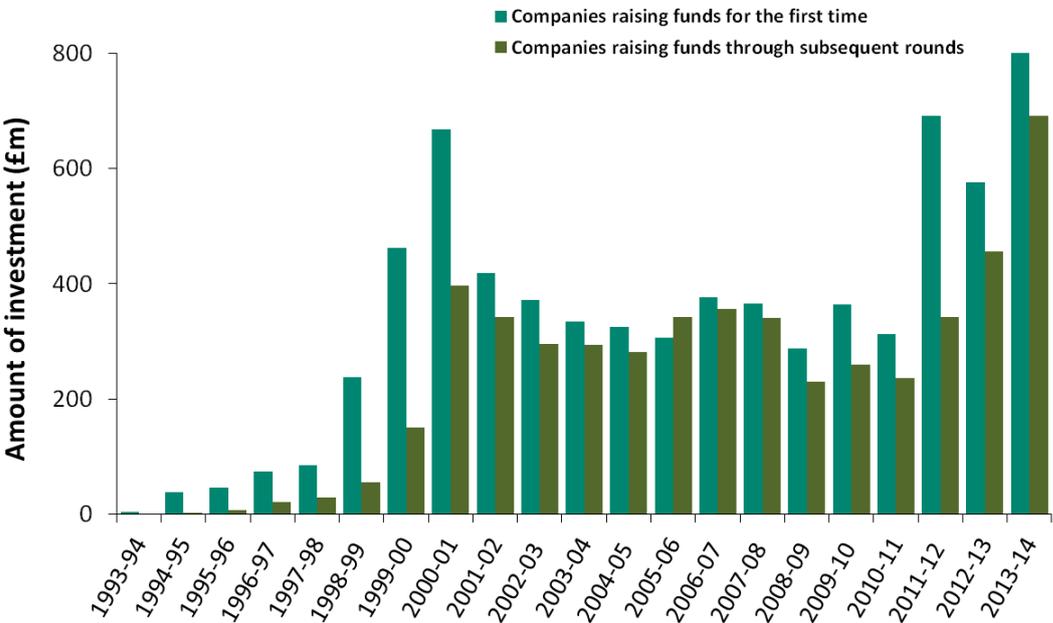
From 2000-01, there was a gradual decrease in the amount of investment up to 2004-05 when the amount of investment started increasing again. From 2007-08 to 2008-09, there was a sharp decrease in the amount of investment, most likely due to the economic recession and to additional eligibility restrictions for qualifying companies (from 19 July 2007, limits on company investment of £2 million and the number of employees, of fewer than 50 employees, were introduced). The change in the Income Tax relief from 20% to 30% in 2011-12 and the introduction of the Feed in Tariffs initiative³ from April 2010 (leading to investment into the renewable energy sector) both attracted investment into EIS.

In 2012-13 most trades attracting FiTs or overseas equivalents were excluded from eligibility for EIS and companies benefiting from alternative DECC subsidies have not been able to benefit from venture capital schemes since July 2014⁴. The expansion of venture capital schemes in 2012-13, such as the increase in the annual EIS investment limit for companies of £5 million, also attracted significant investment.

EIS: New investment

The majority of investment through the scheme (58%) since the inception of EIS was investment into companies raising EIS funds for the first time. The exception to this was 2005-06 when a slightly higher proportion of EIS investment was into already established companies (53%). The proportion of funding raised in 2013-14 by companies using EIS for the first time was 56% (revised from 53% previously).

Figure 2: Amount of investment received by new companies through EIS and by companies who received investment under EIS previously, from 1993-94 to 2013-14 (Revised).



Source: EIS1 forms

³ Introduced by the Department of Energy and Climate Change.
⁴ Excluding those generating energy by way of anaerobic digestion or hydroelectric power and certain community organisations. For further information FiTs and other DECC subsidies, please see the Office of Gas and Electricity Markets website: <https://www.ofgem.gov.uk/environmental-programmes>

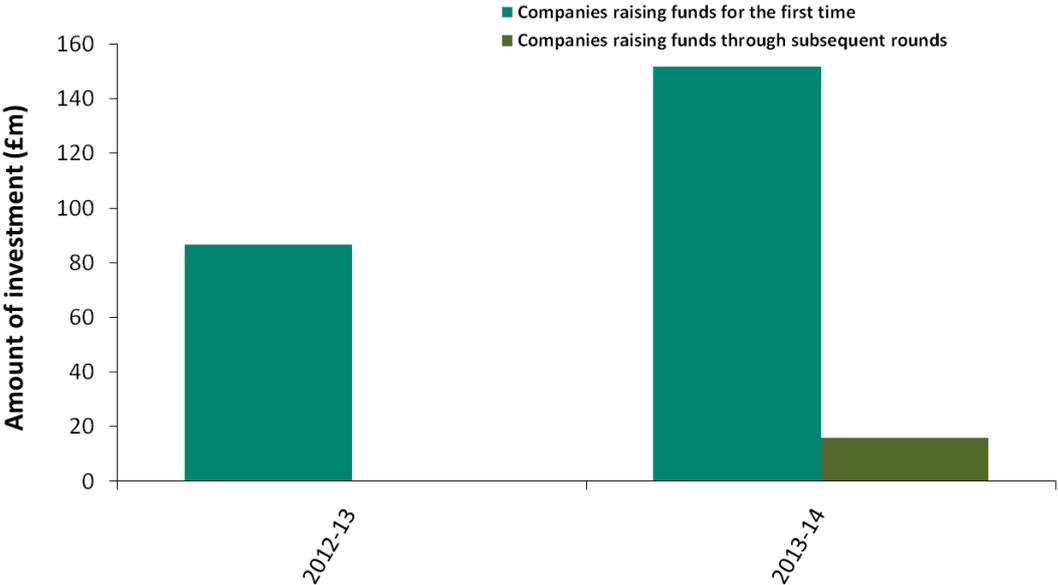
2.3 Seed Enterprise Investment Scheme (SEIS)

SEIS: Number of SEIS companies and amount of investment

In 2013-14, revised figures show that over 2,000 companies received investment through the Seed Enterprise Investment Scheme (SEIS) and £168 million of funds were raised (revised from £164m previously). Over 1,750 of these companies were raising funds under SEIS for the first time, raising a total of £152 million in investment. The average investment per company under SEIS in 2013-14 was over £81,000.

Since SEIS was launched in 2012-13, over 2,900 individual companies have received investment through the scheme and over £250 million in investment has been raised.

Figure 3: Amount of investment received by new companies through SEIS and by companies who received investment under SEIS previously, for 2012-13 and 2013-14 (Revised).



Source: SEIS1 forms

Section 3: Background information

Policy background

The Enterprise Investment Scheme (EIS) and Seed Enterprise Investment Scheme (SEIS) are two of three tax-based Venture Capital schemes, the other being the Venture Capital Trust (VCT) scheme.

The EIS was introduced in 1994 to help smaller, higher-risk trading companies to raise finance by offering a range of tax reliefs to investors who purchase new full-risk ordinary shares in those companies.

The SEIS was introduced in 2012 to complement EIS and is intended to recognise the particular difficulties which very early stage companies face in attracting investment by offering tax relief at a higher rate than that offered by EIS.

Further information on the policy background and key policy changes in EIS and SEIS is available in the EIS/SEIS introductory note. An amendment to tax-advantaged venture capital schemes, including EIS and SEIS, was published at Summer Budget 2015. Further information on these changes is available here:

<https://www.gov.uk/government/publications/income-tax-amendments-to-tax-advantaged-venture-capital-schemes>

The Official and National Statistics for the VCT scheme can be found here:

<https://www.gov.uk/government/collections/venture-capital-trusts-statistics>

Data sources

The EIS and SEIS statistics in this release are compiled using data collected from companies' EIS1 and SEIS1 returns. All figures in this release are based on data extracted in December 2015.

The EIS1 and SEIS1 forms are statutory declarations that the company is compliant with the conditions of the Enterprise Investment Scheme. The data cover all EIS1 and SEIS1 returns received by HMRC and approved by the Small Company Enterprise Centre (SCEC) that administers the EIS and SEIS scheme. The SCEC decides if a company and a share issue qualifies.

Once the shares are issued, and once the company has traded for at least 4 months, the company has to submit form EIS1/SEIS1. This process is repeated each time a company issues shares in respect of which EIS or SEIS relief is to be claimed. The EIS1 and SEIS1 forms include details of investors who have indicated they will be claiming EIS/SEIS relief and the amount invested. The forms also include details of the date the shares were issued; these

dates are used in the production of the statistics to record the investments within particular tax years.

Initial statistical checks carried out on the data include:

- Plausibility checking that the amount of the investment has a realistic value. Any record showing a very high amount is referred back to SCEC, which will check on these cases;
- Checking that the companies correspond to the company registration number. In case of inconsistencies, the correct information is retrieved from Companies House Database or SCEC; and
- Checking all the duplicate records, i.e. individual companies records with the same issue data and amount of investment are checked with SCEC.

Once the EIS1/SEIS1 forms data have been extracted from the analysis database:

- Any significant changes in figures from one statistical release to the next are investigated.

Methodology

Tables 8.1 and 8.11 include every case captured via EIS1 and SEIS1 forms respectively. As no sampling is necessary, sampling error is not an issue.

Reliability of the estimates

Sources of error in the published statistics include:

- The EIS/SEIS companies have a period of several years after shares are issued to submit an EIS1/SEIS1 compliance statement. Therefore, there are a small number of returns submitted later which add to the existing data and can therefore result in minor revisions to previously published figures. Accordingly, revisions have been made to EIS figures published previously as provisional for 2012-13 and 2013-14.
- Data capture errors: companies may make errors entering their information on the EIS1/SEIS1 paper forms. The data are subsequently entered onto HMRC's systems manually. This is another point at which data may be altered due to human error or software errors. There is a risk that errors involve very large investment amounts. To mitigate this, checks are carried out and any incorrect large values which are detected are investigated (and potentially altered) in the analysis database before the statistics are produced. An automated data entry to HMRC's system is being introduced and should reduce the number of these

types of errors in future. We will provide notification in the appropriate release when this has been used in the creation of the estimates.

Revisions to previously published tables

Companies' funds raised are subject to revision and, although the majority of assessments are finalised within three years after shares are issued, there are exceptional cases which can take much longer. As a result, there is no specific point at which EIS and SEIS claims for the latest years can be considered as complete or final. In practice, the statistics are revised to replace any figures marked as provisional in the previous release of the statistics. However, where the revision to a year is particularly small and would lead to the potential disclosure of individual companies, these revisions will be suppressed (based on our standard approach to statistical disclosure control) until a subsequent release.

Planned developments and changes

a) Frequency of the publication

HMRC introduced quarterly statistics for EIS and SEIS in March 2015. We noted that we would keep the content of these releases under review and thank those who have provided feedback.

The increased frequency of the releases has allowed us to present more timely data on the most recent financial year (bringing this forward by over 6 months) and the additional detail series. However, our ability to provide quarterly updates on the more detailed statistics is limited by our statistical disclosure approach: in order to protect individual tax payers we apply rounding to the statistics and this often means that revisions are not identifiable within the rounded figures, or that revisions must be suppressed where small changes could create a risk of identification by deduction.

Due to the limited information we are able to present in the interim releases, we are proposing to move to a bi-annual release schedule. This would include:

- An April release to present the latest financial year statistics available (for example, 2014-15 will be published in April 2016); and
- An October release to present the additional detail and Self-Assessment derived statistics (for example, detailed statistics for 2014-15 will be published in October 2016).

We would welcome your feedback on this proposal and will confirm our plans and forward release schedule in the April 2016 release.

b) Advanced Assurance Requests⁵

We identified a sufficient level of user demand for statistics on Advanced Assurance Requests and intended to include these in the January 2016 publication. Unfortunately, it has not been possible to complete the work required for these statistics: we will continue to work on these statistics and will publish them within the April 2016 release.

If you wish to contact us on either of these items, please use the contact details in the section below.

User engagement

HMRC is committed to providing impartial quality statistics that meet our users' needs. We encourage our users to engage with us so that we can improve our National and Official Statistics and identify gaps in the statistics that we produce. Please see the following link for HMRC Statistics "Continuous User Engagement Strategy":

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/278751/HMRC_statistics_continuous_user_engagement.pdf

If you would like to comment on these statistics or have any enquiries, please use the statistical contacts named at the end of this section and on the cover page. Alternatively, we would welcome any views or comments you have via the HMRC statistics blog:

<https://hmrctstatistics.blog.gov.uk/>

If you would like to be involved in future consultations about Corporation Tax statistics, please go to the survey at the following link, where you can enter your contact details:

<https://www.surveymonkey.com/s/dbtsurvey1>

UKSA Assessment

The EIS and SEIS National Statistics have been assessed for compliance with the Code of Practice for Official Statistics by the UK Statistics Authority (UKSA). The assessment report is available on the UKSA website:

<https://www.statisticsauthority.gov.uk/publications-list/?keyword=&type=assessment-report>

UKSA is an independent body directly accountable to Parliament with the overall objective to promote and safeguard the production and publication of official statistics. It is also required to promote and safeguard the quality and comprehensiveness of official statistics and good practice in relation to official statistics.

⁵ As part of the qualifying process for seeking investment through EIS and SEIS, companies provide a return to HMRC in advance of a share issue to check that it will meet the qualifying conditions for these schemes.

Contact points

Enquiries about these statistics should be directed to the statisticians responsible for these statistics:

Neil Wilson
KAI Direct Business Taxes
HM Revenue & Customs
Room 2/43
100 Parliament Street
London SW1A 2BQ
Telephone: 03000 574 402
E-mail: neil.wilson@hmrc.gsi.gov.uk

For all detailed enquiries relating to investing in Venture Capital Trusts, please contact:

Local Compliance
Small Company Enterprise Centre Admin Team
SO777, PO Box 3900
Glasgow G70 6AA
Telephone: 03000 588907
E-mail: enterprise.centre@hmrc.gsi.gov.uk

Media enquiries should be directed to the HMRC Press Office contacts listed on the front page of this release.

Annex A: Statistical reference tables

Enterprise Investment Scheme: Table 8.1

Enterprise Investment Scheme

Table 8.1: Number of companies raising funds, number of subscriptions and amounts raised from 1993-94¹ to 2013-14^r

Claims data received by December 2015²

Numbers: actual; Amounts: £ million

Year ²	Companies raising funds for first time	All companies raising funds	Subscriptions ³	Companies raising funds for first time	All companies raising funds
	Number	Number	Number	Amount	Amount
1993-94	75	75	480	3.9	3.9
1994-95	400	425	4,970	39.0	41.4
1995-96	440	550	5,140	45.5	52.9
1996-97	475	650	11,820	73.4	94.3
1997-98	530	725	11,410	85.1	113.4
1998-99	1,035	1,265	15,330	237.8	294.0
1999-00	1,640	2,105	29,340	462.6	613.7
2000-01	2,380	3,315	45,780	668.5	1,065.2
2001-02	1,685	2,855	25,480	418.9	760.9
2002-03	1,340	2,455	27,635	372.2	667.3
2003-04	1,150	2,175	28,125	334.1	627.2
2004-05	1,210	2,190	32,360	325.4	606.4
2005-06	1,155	2,140	31,525	305.6	647.6
2006-07	1,150	2,170	39,680	376.6	732.5
2007-08	1,130	2,205	37,135	365.9	707.3
2008-09	940	1,920	23,545	288.4	517.7
2009-10	995	1,975	25,960	363.5	622.7
2010-11	1,070	2,025	32,425	311.9	548.8
2011-12	1,565	2,680	88,850	690.8	1,033.4
2012-13 ^r	1,195	2,470	64,195	576.2	1,032.9
2013-14 ^r	1,380	2,795	121,015	871.9	1,562.9
All Years	22,930	** 4	702,205	7,217.0	12,347.0

Source: EIS1 forms

Statistics in this table are consistent with HMRC's policies on dominance and disclosure.

Numbers are rounded to the nearest 5 and amounts are rounded to the nearest £0.1m. Totals may not sum due to rounding.

1. Tax year ending 5 April.

2. Companies have a period of several years after shares are issued to submit an EIS1 compliance statement. Therefore, data for 2012-13 and 2013-14 remain provisional and subject to change due to claims not yet received.

3. The number of subscriptions is not equal to the number of investors as an individual can invest in more than one company.

4. The total is not given as companies may raise funds in more than one year.

p. Provisional.

r. Revised

Enquiries

Statistical enquiries should be addressed to: Neil Wilson, VC Statistics, KAI Direct Business Taxes, HM Revenue & Customs, Room 2/43, 100 Parliament Street, London, SW1A 2BQ. Tel: 03000 574 402, E-mail: neil.wilson@hmrc.gsi.gov.uk

For more general enquiries please refer to the HMRC website:

www.hmrc.gov.uk

or contact the Venture Capital **Helpline** on **03000 588907** for general enquiries.

The next update of these tables, will be published in April 2016.

Seed Enterprise Investment Scheme: Table 8.11

Seed Enterprise Investment Scheme

Table 8.11: Number of companies raising funds, number of subscriptions and amounts raised in 2012-13 and 2013-14^r

Claims data received by December 2015²

Numbers: actual; Amounts: £ million

Year ¹	Companies raising funds for first time	All companies raising funds	Subscriptions ³	Companies raising funds for first time	All companies raising funds
	Number	Number	Number	Amount	Amount
2012-13 ^r	1,165	1,165	7,800	86.6	86.6
2013-14 ^r	1,755	2,065	31,860	151.8	167.8
All Years	2,920	** ⁴	39,660	238.4	254.4

Source: SEIS1 forms

Statistics in this table are consistent with HMRC's policies on dominance and disclosure.

Numbers are rounded to the nearest 5 and amounts are rounded to the nearest £0.1m. Totals may not sum due to rounding.

1. Tax year ending 5 April.

2. Companies have a period of several years after shares are issued to submit an SEIS1 compliance statement. Therefore, data for 2012-13 and 2013-14 remain provisional and subject to change due to claims not yet received.

3. The number of subscriptions is not equal to the number of investors as an individual can invest in more than one company.

4. The total is not given as companies may raise funds in more than one year.

p. Provisional.

r. Revised

Enquiries

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