

The venture capital market - new statistics

Synopsis: The latest statistics relating to the Enterprise Investment Scheme, Seed Enterprise Investment Scheme and Social Investment Tax Relief scheme have been published.

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HMRC's publication details the number of companies receiving investment through the Enterprise Investment Scheme (EIS), Seed Enterprise Investment Scheme (SEIS), and the Social Investment Tax Relief (SITR) scheme, along with the amount of funds raised.

This release includes first estimates on funds raised for tax year 2021/22. Information about advance assurance requests (AAR) is also provided with first estimates for tax year 2022/23.

The publication also provides the industrial and geographical breakdown of EIS and SEIS companies, the distribution of companies by the amount of funds raised, and the distribution of investors by the size of their investment. The key headlines include...

EIS

In 2021/22, 4,480 companies raised a total of £2,305 million of funds under the EIS scheme.

This is the highest number of companies and total amount raised since the scheme was introduced. Funding has increased by 39% from 2020/21, when 3,765 companies raised £1,662 million.

Investment in 2021/22 saw a significant rebound to a level higher than prior to the downturn during the height of the Covid-19 pandemic in 2020/21.

Around £584 million of investment was raised by 1,755 new EIS companies in 2021/22.

In 2021/22, companies from the Information and Communication sector accounted for £785 million of investment (34% of all EIS investment).

Companies registered in London and the South East accounted for the largest proportion of investment, raising £1,489 million (65% of all EIS investment) in 2021/22.

The number of investors claiming income tax relief on self-assessment forms under the EIS has increased, from 39,025 in tax year 2020/21 to 457,155 in 2021/22.

The total tax relief claimed under EIS slightly increased overall in 2021/22, and there was an increase in the total number of investors (16%).

In 2018/19, new limits were introduced for investments in KICs. These allow individuals to invest up to £2 million in a year if they are investing in knowledge

intensive companies (KICs). There were 70 investments of between £1 million and £2 million in 2021/22, contributing £112 million of investment. With the higher limit available, investments of over £500,000 comprised 19% of the total amount of EIS investment raised on which claims were made in 2021/22.

Companies that qualify as knowledge intensive (KI) at the time of share issue can make use of increased annual and lifetime funding limits, £10 million and £20 million respectively, and these KICs can receive their first EIS or other risk finance investment up to ten years from first commercial sale, as opposed to the normal limit of seven years.

In 2022/23, 3,650 AAR applications for EIS were received and 2,945 (81%) have been approved so far. The number of applications has increased from 2021/22 when 3,575 AAR applications were received and 2,620 (73%) approved.

SEIS

In 2021/22, 2,270 companies raised a total of £205 million of funds under the SEIS scheme. Funding in 2,270 is at the highest level since the scheme was introduced and has increased by 16% from 2020/21 when 2,105 companies raised £176 million.

Around 1,815 of the companies were raising funds under the SEIS scheme for the first time in 2021/22, representing £179 million of investment.

In 2021/22, companies from the Information and Communication sector accounted for £83 million (40% of all SEIS investment).

Companies registered in London and the South East accounted for the largest proportion of investment, raising £137 million (67% of SEIS investment) in 2021/22.

In 2021/22, 9,950 investors claimed income tax relief on self-assessment forms for the SEIS, compared to 9,490 investors in 2020/21. The amount of relief claimed also increased by 12% in line with the 16% increase in funds raised by companies in 2021/22.

Most investors claiming the relief invested £10,000 or less into qualifying SEIS companies (56%).

Investments of over £25,000 contributed 60% of the total amount of SEIS investment raised on which claims were made, which is slightly lower than 2020/21 (61%).

In 2022/23, 2,825 AAR applications for SEIS were received and 2,315 (82%) have been approved so far. The number of applications has decreased from 2021/22, when 2,855 AAR applications were received and 2,055 (72%) approved.

SITR

In 2021/22, 40 social enterprises received investment through the SITR scheme, and £5.4 million of funds were raised. Funding has slightly increased from 2020/21, when 35 enterprises raised £4.1 million.

In 2022/23, 25 AAR applications for SITR were received, and 15 (57%) have been approved so far. The number of applications has decreased from 2021/22 when 40 AAR applications were received and 20 (50%) approved.

As announced in the March 2023 Spring Budget, SITR closed to any new investments from 6 April 2023.

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