



SEIS UPDATES GO LIVE! WHAT'S CHANGED, WITH SARAH & CLAIRE

5TH JUNE 2023

CLAIRE [00:00:00] Nothing in this podcast is financial advice, and when investing, your capital is at risk.

(Upbeat music builds)

SARAH [00:00:10] Welcome to the Obu podcast, a place for people who are changing what it means to be an angel investor. We'll be talking to business owners who have taken investment and angel investors who have put in their capital, their wisdom and their networks to work to grow diverse - founded businesses. The world of investment is changing and we're inviting you to learn how. Welcome to the Obu podcast.

(Music builds then ends)

CLAIRE [00:00:41] So today's a really exciting episode that we have been waiting to record for the last six months. Six months ago, as we were celebrating closing our investment round, we also got news through that legislation was changing for SEIS and EIS. That change goes through now. It's a huge deal for entrepreneurs and investors across the UK. But Sarah, what does it actually mean, what even is SEIS?

SARAH [00:01:07] So this is the Seed Enterprise Investment Scheme. It was a program set up by the Government back in 2012 that provides tax incentives to angel investors who want to make investments into early stage businesses. Obviously, businesses at that stage are risky. It's very early and the government wanted to encourage investment, wanted to encourage capital flowing into those businesses. So it sets up the Seed Enterprise Investment Scheme. That scheme hasn't changed for a number of years, but as of April 23, there are some key changes that are taking place. So the first one that we're going to talk about is the age limit extension. And the reason we're going to talk about that one first is because the Over Being Underfunded campaign is what resulted in this change. So from April, the age limit for any business that wants to access SEIS has extended from two years to three years. We'll come on to talk about why that's really significant in a bit, but that's the first key change. So entrepreneurs now have an additional 12 months to apply for the tax incentives that the scheme provides. The second key change that's happening is that the funding limit is increasing. So whereas before this month, SEIS only applied to the first £150,000 that you were raising, that's now gone up by an additional £100,000 to £250,000. The third and final change is that the gross asset limitation has increased from £200,000 to £350,000. So those three changes make up quite a significant difference and quite a significant impact for entrepreneurs who are doing their first investment rounds and are seeking angel investors who want to benefit from the tax breaks that SEIS offers.



CLAIRE [00:02:57] It's incredible. And we have come across the SEIS, we have raised money under SEIS and there are still so few entrepreneurs and actual angel investors who know about the scheme, who've never heard of it before, and so don't understand the actual, you know, generosity of HM Treasury.

SARAH [00:03:16] Right!

CLAIRE [00:03:17] Let's celebrate that!

SARAH [00:03:20] Right!

CLAIRE [00:03:20] And the benefits that both parties can gain from the scheme.

SARAH [00:03:24] Right, Exactly. And I think what's exciting for us, having created and led the Over Being Under funded campaign, is that now that we have persuaded the Treasury to make this change, now it's all about how can we let as many entrepreneurs and nascent angel investors know that this scheme exists? Because the more, particularly entrepreneurs who understand the impacts it could have on their business and the earlier they understand the impact, the more they can think about how they shape and develop their business model in a way that is scalable. So for us now, it's a real mission of we're in April, let's let as many people know as possible that these changes are happening.

CLAIRE [00:04:07] Yeah, it's really exciting. So let's go into the detail of, well, what does that actually mean? Because really this is a tax incentive scheme.

SARAH [00:04:16] Right.

CLAIRE [00:04:17] Let's do a live working example so that we can bring this to life for everybody. If you're an angel investor and you find an incredible business that you want to invest in, you decide that you're going to make a £10,000 investment - straight away you will get a £5,000 income tax relief benefit. What's brilliant about that is that you can either process that as a part of your end of year self-assessment or they allow you to process it out of the tax calendar, which means that you can get the benefit back straightaway. Then that business continues and it does its brilliant things and hopefully that business continues to grow in the exits. Then at some point you see the return on your investment. But let's say the business doesn't go to plan, it decides to fold at some point. You can then also access loss relief of a further £2,750, which means actually at risk if your £10,000 is £2,250. That's quite a big difference from the mindset of I am putting at risk £10,000 who I'm putting at risk £2,250. Now, you still need to have cash, no one is saying that this is a non risky approach to asset management, to investment management. It isn't. No one is saying that it is appropriate for everybody. It isn't. You still need to have cash available to you to be able to make those initial investments. But I think the framing is completely different because actually it makes Angel investing far more accessible to far more people who have historically thought that I need to have disposable income of a couple of hundred thousand pounds in my bank account in order for me to be able to access this. And the reality is £10,000 available to you makes such an incredible difference to the founder, but also is massively de-risked for you as an angel investor.



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Let's have conversations about SEIS, let's make people aware of it. It's not complex, but you do need to understand it

SARAH [00:06:15] Right. And as we were saying that the star as this is a fantastic scheme.

CLAIRE [00:06:20] Yeah.

SARAH [00:06:20] Billions of pounds worth of investments have been made through it since it was set up in 2012. But the problem is it's only a select group of people who actually understand the mechanisms of how it works at the moment.

CLAIRE [00:06:32] Yeah,.

SARAH [00:06:33] Which is why, again, we're kind of blowing it open and we're saying, let's have conversations about SEIS, let's make people aware of it. It's not complex, but you do need to understand it and there are resources available. We have resources on our website that people could go and take a look at. And we've used £10,000 as an example there. But as SEIS applies, whether you're doing £10,000, whether it's a £1,000 investment, whether it's a £100,000 investment, those rules that you've just talked us through, they apply to all investments that are made through SEIS, don't they.

CLAIRE [00:07:06] That's right. And that's why the awareness piece is just so valuable. Because if as a founder, and we'll come on to why that time increase is so important shortly. But if as a founder, you're building your business with investment in mind, which is actually how we would encourage all entrepreneurs, whether they take investment or not in the future, building it with investment in mind, kind of future proof your business and gives you more options and more opportunity. Being able to talk then to angel investors about 'I'm raising through SEIS and this is what it means to you' is so powerful. So for those angels who haven't considered it before or have felt like it's not a world that they're invited into before, it blows it wide open.

SARAH [00:07:51] Let's go back eight months.

CLAIRE [00:07:52] Okay.

SARAH [00:07:52] Because we did our first investment round. We knew that we wanted to access the Seed Enterprise Investment Scheme, but we realised that about nine or ten weeks out from our SEIS deadline, which at the time was set at two years. So just take us back to that point in time in terms of how it felt when we realised we were nine or ten weeks out and wrap some context around what was going on in the world at that time as well.

CLAIRE [00:08:21] Yeah, that was a bit of a pandemic happening at the time. (both laugh) It was a really interesting point for us in the business. We had spent the last year supporting women founders through a period of huge uncertainty of trying to navigate all of the government schemes like furlough and what that meant about Slack loans, all of the additional support that existed. But it was quite hard to understand what all of it meant and which bits of that applied. So our community was very busy at that time because we were helping women figure that out. We saw then huge growth as a result of that support that we offered. And so for us, it felt like the appropriate time to raise our first investment round, which coincided with, I don't know, the second or third lockdown lost track by that point.



SARAH [00:09:07] They're a blur.

CLAIRE [00:09:08] They're a blur. So in January 2021, we were aiming to close because that was our trading date and that was the date that we needed to work towards. I think when we were approaching that investment process, we had loads to learn in a really short space of time. So there was all of the terminology. It just gets thrown around. There was finding angel investors, like where even are they? And understanding what the network looked like. It was figuring out what shareholder's agreements look like, what articles needed to be in place. So all of the legal filings that then happen after you've closed out, there's actually quite a lot in it. The reality of it, though, is that it's a process and I think it's one of the bits that we will work really hard to and work really hard to and through the platform will work hard to demystify. Yeah, which is yes, there are lots of things that need to happen, but ultimately it's a process. And if you can understand each part of the process and the steps that you need to take in that process, it's fairly straightforward. I know people don't like to hear that investment can be straightforward, but it can be quite straightforward and understanding SEIS is a really vital part of understanding the process and what just needs to happen.

SARAH [00:10:26] Yeah, and so from start to finish, we closed that investment round in nine weeks.

CLAIRE [00:10:33] Yeah.

SARAH [00:10:33] But we hit our SEIS deadline with only 48 hours to spare and the Over Being Under funded campaign then came from a very random opportunity where someone asked us 'If you could change something in the ecosystem, what would it be?' And having just gone through that SEIS experience, we kind of said, 'Why is that deadline set at two years?' If we'd have had three years, where for us as women entrepreneurs, we didn't have established angel networks, we were juggling homeschooling, we were building our business. Actually, if that deadline was extended because two years for us with that context is different. For an entrepreneur who doesn't have that context, actually that would have made things a lot easier. And that was where the Over Being Under funded campaign was born from in terms of saying 'Why does it need to look like that?'. Because we've seen all of the reports that have come out of the UK and that have come out of pretty much every country around the world, which shows that women are less likely to have access to angel networks. Women are less likely to know the schemes even exist. Women are more likely to be juggling care responsibilities in the home, and therefore that runway looks different. And that's where the have been Over Being Under funded campaign came from. We very quickly then gained the support of the Federation of Small Business Leaders, Virgin star-up. And it just kind of again, I think one of the things that we without blowing our own trumpet (both chuckle), but one of the things that we do is we look at



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Building it with investment in mind, kind of future proof your business and gives you more options and more opportunity.

the system and we ask 'Why' and then we translate that by into very actionable changes.

CLAIRE [00:12:19] Yeah.

SARAH [00:12:19] So why can't it be three years instead of two years? And let's just go and ask that question to whoever we can. And garnering that support from those organisations really helps us to amplify that message.

CLAIRE [00:12:32] It really did. And I will never forget Clear Channel who gifted us billboard massive billboard space in central London.

SARAH [00:12:41] Right!

CLAIRE [00:12:41] And those huge posters that we had is like, 'Hey Women', it was incredible. It was so high impact and I think really resonated with not just our audience but other really impactful, influential organisations and businesses in this industry who go, 'Yeah, this makes sense'.

SARAH [00:13:01] They were good weren't they.

CLAIRE [00:13:05] It went really good. (both laugh) Really, really very proud of those, yeah.

SARAH [00:13:07] I guess when we look back on that time and now being stood here in April and like we've changed legislation, I mean we didn't set out to be lobbyists, did we?

(both laugh in agreement)

CLAIRE [00:13:17] No we didnt!

SARAH [00:13:18] But here we are, the legislation is changing. I think there's some really interesting lessons there around. We had a really clear campaign ask. It was kind of let us go from two years to three years. It was crystal clear there was no ambiguity in there, and we just repeated that. Everyone we spoke to, we repeated that same ask. Also, though, that insight around aligning yourself to organisations that have a louder voice than you do.

CLAIRE [00:13:47] Yeah.

SARAH [00:13:48] We were a scrappy start up at that stage, (Claire mhm in agreement) but aligning ourselves to organisations who could see that this change would



encourage equality and then talking to people like the Rose Review and Jenny Tooth at the Women Backing Women Campaign and the Women's High Growth Taskforce. You're able to amplify your voice if you align yourself with people who have a greater platform than you do.

CLAIRE [00:14:11] Yeah.

SARAH [00:14:12] And I think we've been really, you know, the support of those organisations just made such a huge difference and ultimately resulted in us being here today with legislation change. I mean, I'm going to say it again, (both share a laugh) We've changed legislation!

CLAIRE [00:14:28] Is actually nuts, but you're so right. And the value of those relationships of having our ask brought up in conversations when we're not in the room.

SARAH [00:14:38] Right.

CLAIRE [00:14:38] You cannot underestimate the impact of that. And so an absolute huge thank you to everybody who's supported as very overtly and also very behind the scenes. We know that there were conversations that were being had all over the place that we weren't in the room for. And so collectively there is this I'm going to say it now, legislation change. (Sarah chuckles in the background) And we also know the impact of that is huge because we know that that's going to positively impact, what 2,000 entrepreneurs a year.

SARAH [00:15:06] Yeah.

CLAIRE [00:15:07] That's not to be underestimated. That's huge.

SARAH [00:15:09] Yeah. And again, we talk about this all of the time. Yes. We come at entrepreneurship and investment through the lens of gender equality, but this is a change that benefits everybody. You know, more start-up businesses securing investment. That means more innovation coming out of the UK. That means the potential for more successful businesses that's good for our economy. We know that female founded businesses are more likely to balance both purpose and profits, so great for people and planet and society. This really is a win for everybody, isn't it? Although I realise we're now starting to sound like lobbyists for campaigners.

(both laugh in agreement)

CLAIRE [00:15:45] But we have our what's next, right?



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your voice if you align
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platform than you do.

SARAH [00:15:47] Right, absolutely!

CLAIRE [00:15:48] What's next on the campaign.

SARAH [00:15:49] And actually that's quite an interesting point around we didn't set out to be lobbyists. We do not understand how government works, but actually that naivety served us well because we could just show up and say, 'Why not? Why would you not make this change?' And then having the allyship and support of our local MP, Ruth Edwards, who kind of said, 'Let me help you navigate this'. And let's be honest, it was quite exciting to get a name check in the House of Commons, wasn't it!

CLAIRE [00:16:19] It was, it was quite cool. Still save that video. So legislation has changed. It's a huge shift. It's already a really generous scheme. It's been made even more accessible and even more generous, which means the entrepreneurs across the UK and Angels across the UK will see massive benefits from it. What we need, though now is for more people to hear about SEIS. One of our big frustrations, we have many, is that angel investors or potential angel investors just aren't being talked to about SEIS. They're not being made aware if they're talking to their financial advisers about this as an asset opportunity. So there's the normal investment routes into property and ISAs and savings and typical kind of stocks and shares accounts, but they're not being talked to about angel investing in the role that they might be able to play.

SARAH [00:17:19] That's one of the things that we're doing in terms of going out and speaking to business leaders within corporates, within professional services organisations to say, 'Hey, look, this scheme exists, your people can be benefiting from this scheme and by the way, the more angel investors we see, the more opportunity we're opening up for those people to have access to the innovations that those small businesses are developing'. So an understanding of new technologies, maybe it's an opportunity to take a board seat on that small business and therefore we also start to close the gender board gap. And that's great for organisations because then people are developing those leadership capabilities as well. So I mean we could talk about this all day, but the benefits of us seeing more angel investors in the UK is hugely significant. And you know, if anyone wants to have a conversation with us about this, we're open to that, aren't we?

CLAIRE [00:18:20] Yeah.

SARAH [00:18:20] Because we just want to provide that knowhow, that inspiration. We don't want that knowhow to be kept behind closed doors.

CLAIRE [00:18:30] Save for the golf course.

SARAH [00:18:31] Right! exactly! Let's bring it off the golf course everyone, it's time.



CLAIRE [00:18:36] We actually recorded a great podcast episode with Sophia. She is a financial advisor and she talks through the kind of the different stages that you might want to consider before you get to angel investing, but how angel investing might play a role in your portfolio and why ultimately she decided to become an angel investor in Obu. So definitely go and check out that episode to learn more and maybe ask some really good questions of your own financial advisor.(both chuckle)

SARAH [00:19:05] And check out our website for more stories of entrepreneurs and investors who have really benefited from this change. You'll see lots from us in the coming weeks about how we're just amplifying those stories and again, let's have the conversation. If there are things you don't understand about SEIS, come and ask. The more we can put knowledge into people's hands, the more we're going to be able to accelerate the changes that we want to see in terms of equality in the UK.

(Upbeat music builds)

SARAH [00:19:34] For more on how we're reimagining investment and entrepreneurship across the UK, visit Obuinvest.com. More real conversations with entrepreneurs and angel investors who with their capital and their businesses are changing the world for the better.

(Music gets louder then ends)