New blended SEIS and EIS fund offers increased tax benefits for investors

Monday 10 November, 2014

Venture Capitalist firm Boundary Capital has introduced a 'blended' fund that combines the benefits of SEIS and EIS to optimise potential returns for investors whilst also taking advantage of the tax breaks.

Most investors who invest in private UK companies understand the benefits of investing in either EIS or SEIS funds. There are two distinct advantages of the Boundary Capital fund versus other distinct SEIS or EIS funds:

Firstly it allows greater freedom for the experienced investment team to select investee companies based on merit rather than having set allocations of one tax break or another. The fund will seek to diversify across both early and later stages so that investors can enjoy these benefits too.

Secondly the blending enables the fund to continue funding investee companies within an SEIS/EIS umbrella as they grow, to the benefit of investee companies and investors alike. Managing Partner of Boundary Capital, Dan Somers, explains: "It is almost unheard of that a company will only need to raise £150k [the limit of SEIS] to become profitable. However the market is littered with companies coincidentally raising £150k to get to profitability because of the SEIS limit. When these companies inevitably require follow-on funding a year later, the original investors are helpless both to trading and any follow-on investment. Even if the business is doing well they are in a weak negotiating position.

"Overall SEIS has been a helpful scheme although it has in some cases instigated businesses which couldn't and in our view shouldn't exist, and caused even some sensible businesses to have crazy valuations. We have seen a low level of scrutiny and quality of both SEIS investees and investment teams, yet some investors pour money blindly into SEIS via their financial advisors or crowdfunding mostly because of the tax breaks and because the scheme is relatively new. Yet there is already fallout happening, and the downside protection is only a good thing if a meaningful proportion of your investments prosper. You could say the tax 'tail' is wagging the investment 'dog'.

"From our point of view, we are proud of the investment team's track record and as investors in the fund ourselves we only invest in opportunities that stack up despite the tax breaks."

Boundary Capital invests in early growth companies with a focus on technology and revenues. Investments are also only made alongside a 'Venturer', a co-investing executive with appropriate experience who takes an active role in supporting the company. It does not invest in start-ups however.

One of its investments CertiVox, a disruptive security software business, has recently hit the headlines with $8m of Series B strategic investment from NTT Docomo. Boundary Capital also made a recent investment in Image Scan plc, an AIM-listed but still EIS-qualifying x-ray technology company.

Boundary Capital is hosting a complimentary event for potential investors and IFAs on 11th December 2014 in London called 'Scouting for Stars'. For more information on this, and the new blended fund, visit www.boundarycapital.com.

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