

How to finance your startup in the UK

The UK continues to be the ideal place to start a new business. If your new enterprise needs startup funding, the UK has many finance opportunities you can take advantage of.

Temps de lecture : minute

24 April 2024

Investment from France into the UK reached £100B according to latest figures from 2021, with nearly half a million new businesses set up in the first six months of 2023. These join the existing 5.6 million already trading. The UK continues to have a thriving entrepreneurial culture that French businesses are more than welcome to join.

The UK has many startup funding options new French businesses that want to come to the UK can apply for. No matter which sector or industry your new businesses is innovating within, there is startup finance available to help you place your business on sound commercial foundations.

What kind of funding does your new business need?

It's a question all new business owners must ask themselves, as not all finance options available are the same or appropriate. Matching the needs of your new business to the right finance ensures the funding chosen meets your needs and doesn't burden your new company. Doing this piece of work now is a critical first step.

There are a few resources that can help you identify which type of financing is right for your new business. The first is a *comprehensive guide* produced by the British Business Bank in association with the ICAEW (Institute of Chartered Accountants in England and Wales). *Better Business Finance* also has a useful guide. And *Enterprise Nation* has a simple guide that explains all the main financing options you could choose for your new business.

Government schemes to fund your new startup in the UK

Two schemes that all new French businesses that want to come to the UK should pay attention to the *Seed Enterprise Investment Scheme* (SEIS) and *Enterprise Investment Scheme* (EIS). The profile of these schemes has been raised by politician Paul Midy and could offer your new business the funding it needs.

The EIS scheme provides tax incentives to individual investors who purchase new shares in your company, easing the raising of funds and expansion of your business—up to £5M annually and a maximum of £12M throughout your company's lifespan. These caps are related to funds acquired through other venture capital schemes, provided the initial investment occurs within seven years of your company's first commercial transaction. It is imperative to verify eligibility for the scheme and adhere to its regulations, ensuring that investors can avail and retain Enterprise Investment Scheme tax benefits associated with their shares.

SEIS is similar to EIS in that the scheme provides tax benefits to individual investors purchasing new shares in your company. Under the Seed Enterprise Investment Scheme, you can receive a maximum of £250,000. This sum encompasses any other state aid received within the preceding three years leading up to the investment and contributes to potential limits for subsequent investments via other venture capital schemes.

Adherence to various rules is necessary to enable investors to claim and retain the tax reliefs associated with their shares under the SEIS.

“It goes without saying that all UK investors are familiar with these schemes and the tax incentives associated with them, so it’s almost impossible to raise money outside of them,” says Sam Simpson, CEO of FounderCatalyst, a platform specialising in the subject.

In theory, French companies can choose to register a French company in the UK and raise funds there using the SEIS/EIS schemes. “In practice, this often proves difficult, as UK investors are required to invest using French legal documents and are subject to French law. It is therefore simpler to register a company in the UK (and acquire the shares of an existing French company, if it already exists), and then register for the SEIS/EIS schemes. This makes it much easier for UK investors, who in this scenario are subject to UK law,” says Sam Simpson.

How French companies can access loans in the UK

Special programs offered by the British Business Bank aim to streamline access to debt financing in the UK. For instance, *Start Up Loans*, backed by the UK government, provide up to £25,000 per business owner to start or expand their business, with a maximum cap of £100,000 per business.

These loans carry a fixed interest rate of 6% and feature a repayment window spanning one to five years, accompanied by a complimentary 12-month mentoring period. Through the *Innovate UK program*, innovation loans are intended to fuel growth via innovative initiatives.

Additionally, the *Enterprise Finance Guarantee* scheme enhances access to bank loans for promising small enterprises lacking adequate funding, underwritten by a 75% government guarantee. Lastly, the *Recovery Loan*

Scheme aids businesses seeking to accelerate their progress by offering loans of up to £2M.

Accessing innovation loans and grants

French companies that are innovating in the technology space can access government-funded loans and grants. The fund – which stands at more than £7B – is administered by UKRI (UK Research and Innovation). UKRI champions innovation by providing loans and grants tailored to all sectors of the economy. Since 2007, it has added £2.5B into fostering innovation, offering funding ranging from £100,000 to £1M specifically aimed at small businesses. After evaluating all these possibilities, be sure to explore various regional grants that could provide additional funding opportunities.

Gain the finance you need with tax credits

New startups in technology sectors can take advantage of R&D tax relief and the Patent Box which offer attractive funding opportunities. In the UK, ventures engaged in research and development can benefit from R&D tax relief that reduces their Corporation Tax. To claim R&D tax relief, your company must qualify as a small business. Your new enterprise must have less than 500 employees and a turnover of under €100M or a balance sheet total under €86M.

The Patent Box initiative provides a reduced Corporate Tax rate of 10% on earnings stemming from patented innovations. The patent must have been granted by the UK Intellectual Property Office, the European Patent Office, and these countries in the European Economic Area: Austria, Bulgaria, Czech Republic, Denmark, Estonia, Finland, Germany, Hungary, Poland, Portugal, Romania, Slovakia, and Sweden. You can see how a Patent Box calculation is made from this example. It's important to ensure your patent qualifies for the tax relief before making a claim.

The UK offers a highly attractive environment for French companies seeking to expand or establish themselves in a new market. With its generous financial support, particularly tailored for startups and innovative ventures, the UK presents a compelling destination.

From R&D tax credits to government backed and private financial support scheme, these initiatives provide tangible benefits and incentives for companies to thrive and grow. By capitalising on such supportive frameworks, French companies can access invaluable resources and opportunities for growth, fostering innovation, competitiveness, and ultimately, success in the dynamic UK market.

The Commercial Department of the British Embassy in Paris provides support to French companies wishing to set up in the UK. Click [here](#) to find out more.

Article by Maddyne, with the British Embassy in Paris