

# CAPITAL GAINS TAX



**SCENARIO** Mr Xi is a family man, is married and has 2 children and 4 grandchildren. Mr Xi owns a number of buy-to-let properties and recently sold three which have produced a taxable gain of £1million.



**PROBLEM** Mr Xi's property sales have produced a taxable gain of £1million. Mr Xi would like to protect the proceeds of the sale for his children and grandchildren. His key focus is therefore CGT deferral and inheritance tax relief. The potential capital gains tax (CGT) bill would currently be £280,000 (based on 28% higher CGT rate on residential property) and if he were to die without any estate planning these proceeds could be eligible for an inheritance tax (IHT) bill of a further £288,000 (40% of £720,000), subject to the limit of £325,000 inheritance tax threshold per individual.



**POTENTIAL SOLUTION** Mr Xi invests £1million into an Enterprise Investment Scheme (EIS) proposition. Mr Xi's capital gain is deferred, and may continue to be deferred until death at which point the CGT liability would cease as well, saving Mr Xi's estate £280,000. As long as Mr Xi holds the assets for a minimum of 2 years and still holds the investment on death (or another Business Relief qualifying proposition utilising Replacement Relief) then it will be deemed outside of his taxable estate and no IHT will be payable on this investment or any growth generated, saving Mr Xi's estate a further £400,000.



**OTHER POTENTIAL TAX RELIEFS** Income tax relief at up to 30%.  
Loss relief available.  
Capital gains tax exempt growth.



**DEEPBRIDGE FEES CHARGED TO THE INVESTOR** There are no management charges levied on the investor at the point of investment for advised subscriptions received by a financial adviser, resulting in up to 100% allocation of subscription. This ensures up to 100% tax efficiency for investors. Deepbridge fees are paid by the Investee Companies and are disclosed in the product Information Memorandum. Performance fee: an EIS incentive fee of 20% of cash returned, in excess of 120% of the funds invested.

<i>(Assuming no growth)</i>	No investment	Investing via an appropriate EIS proposition
Initial amount	£1,000,000	£1,000,000
Capital gains tax	(£280,000)	£0
Inheritance tax	(£288,000)	£0
Potential value of estate on death	£432,000	£1,000,000

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