

INCOME, CAPITAL GAIN & INHERITANCE TAX



SCENARIO Mrs Lewis has a significant income tax liability in the current and previous tax year, a capital gain from the previous tax year and an ever increasing inheritance tax (IHT) liability. Mrs Lewis has net wealth that can support investment regarded as higher risk.



PROBLEM Mrs Lewis would like to manage her growing income tax liability, which is expected to be significant. She would also like any investment to benefit from tax free capital growth and be IHT efficient for the duration of the investment.



POTENTIAL SOLUTION Mrs Lewis invests £100,000 in an Enterprise investment Scheme (EIS) proposition and benefits from; 30% income tax relief, deferral of capital gains, loss relief on any of the portfolio companies, exemption from IHT after two years and any growth on the portfolio will be capital gains tax (CGT) exempt.

- 30% income tax relief. Income tax relief: £30,000 (30% of £100,000)
- Any capital gain is deferred, and may continue to be deferred until death at which point the CGT liability would cease as well.
- As long as Mrs Lewis 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 exempt from IHT and no IHT will be payable on this investment or any growth generated.
- Any growth on the portfolio would be capital gains tax exempt.
- Potential loss relief available: £28,000* (40% of £100,000 - £30,000)
- Total capital risk: £42,000 (*Assuming 40% tax rate)



**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.

	No investment	Investing via an appropriate EIS proposition
Initial amount	£100,000	£100,000
Income tax relief	£0	£30,000
Capital gains tax deferral	£0	£28,000
Inheritance tax payable on death	£40,000	£0
Total potential value to estate	£60,000	£158,000

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RISK WARNING: These investments may not be suitable for all investors. Investors should be aware that investments in small unquoted companies carry a high level of risk. These investments are highly illiquid and as such, there may not be a readily available market to sell such an investment. Tax reliefs are dependent on personal circumstances, and are subject to change in the future. The availability of tax reliefs depends on companies invested in maintaining their qualifying status. The value of an investment may go down as well as up, and investors may lose all funds invested. Past performance is not a reliable indicator of future performance. Any decision to invest should be made only on the basis of the relevant documentation for each investment. The above examples assumes all reliefs are available and relevant at their maximum value. Case studies are examples only and based on tax legislation at the time of writing (January 2018), and are therefore subject to change. This document is only intended to provide an overview and no reliance should be placed upon the content. **Nothing in this document shall be regarded as constituting investment, taxation, legal or other advice and prospective subscribers should seek advice from a suitably qualified independent adviser before deciding whether or not to make an investment.**