

Enterprise Investment Schemes (EIS)/Seed Enterprise Investment Schemes (SEIS) and Venture Capital Trusts (VCT) have traditionally been grouped together as they share a common goal in encouraging investment in small businesses. Whilst they both offer beneficial tax breaks, those offered by EIS/SEIS may provide a greater appeal.

## Factors you may want to consider include:

- > In order to qualify for relevant tax reliefs, VCTs must be held for five years, EIS and SEIS for three years.
- > Although there is no limit to the amount you can invest in EIS, SEIS and VCTs in any one year, the amounts on which you can claim tax relief are capped at £1 million a year for EIS, £100,000 for SEIS and £200,000 for VCTs.
- > In all three instances, the annual allowance is much higher than a pension, and none of these have a lifetime limit, unlike a pension.
- > EIS also allow you to use your previous year's allowance if unused in the current tax year. So for example, if you invested nothing in EIS in 2015/16, you could invest £2m in 2016/17 as you have not used your previous year's allowance. In the case of SEIS you could invest up to £200k.
- > An investment in an EIS or SEIS can be passed onto your heirs without incurring IHT if you have held the investment for a minimum of two years. In comparison VCT shares, like most other investments, would incur IHT after you exceed your £325,000 allowance.
- > If you have incurred Capital Gains Tax (CGT) on a profit, and invest that profit into an EIS you can defer paying this tax bill until you realise your EIS gains, this is not possible with SEIS or VCTs. If you die before realising the EIS or SEIS investment the CGT liability is removed – so your heirs will receive the EIS/SIS investment tax free. This cannot be done with a VCT, though profits on both VCT and EIS/SEIS investments are free of CGT.

Benefit	EIS	SEIS	VCT
Income Tax relief	30%	50%	30%
Maximum annual investment	£1 million	£100,000	£200,000
Minimum holding period	3 years	3 years	5 years
Capital Gains Tax	Gains exempt after 3 years	Gains exempt after 3 years	Gains exempt
Capital Gains Tax Deferral	Yes*	No	No
Capital Gains Re-investment Relief	No	Yes	No
Inheritance Tax exemption	Yes**	Yes**	No
Dividend income	Taxable	Taxable	Tax Free
Loss relief	Yes	Yes	No
Tax year for income Tax Relief	Tax year of underlying assets		Tax year of investment
Carry back of Income Tax relief	Yes	Yes	No
Secondary market	No	No	Yes

\*No maximum investment amount or minimum holding period

\*\*After two years

- > Claiming your tax relief on VCTs is much simpler; your tax relief certificate comes with your share certificate, and the timing is likely to be a matter of weeks after you buy the shares. With many EIS you get the relief when the scheme puts money into an investment and it has started trading, so the waiting period can be much longer.
- > You also have a tax relief certificate for every underlying investment with EIS, instead of one for all investments, as is the case with a VCT.

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## Important Notice

Please read the following information carefully as a professional adviser. The information contained in this flyer is for discussion purposes only for professional advisers and their clients, it is not for Retail Clients.

EIS/SEIS and VCT Funds are not suitable for all investors as the underlying investments are often illiquid and therefore high risk. Advice should always be sought from a professional adviser prior to investing.

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Opening the door to EIS investment