Kuber VENTURES
Opening the door to EIS investment

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Capital Gains Tax – Deferment on Tax Paid

With Capital Gains changes this fiscal year let's look at the changes and the opportunities that have arisen because of them and how these may apply to your clients.

To recap:

In the 2015/16 tax year, Capital Gains Tax (CGT) rates were 18% and 28% in respect of lower and higher rate tax, excluding Entrepreneur Relief which remains at the same level as last year at 10%.

Clients who paid CGT in the previous tax year might not have been too happy when the chancellor reduced the rate for CGT to 10% and 20% (lower/higher rate) in the 2016/17 tax year (There is an exception to the new rates which is in respect of property which still remains at the 2015/16 level of 18% and 28%).

One opportunity that has arisen is the ability to re-visit those clients who have already paid their CGT bill in respect of a gain in 2015/16,

An example of this:

George had a Capital Gain in the 2015/16 tax year, net of allowances, of £56,140 on which he paid CGT at 28%.

In the 2015/16 he paid a total of £6,475 in income tax and is expected to pay the same in the 2016/17 tax year.

He is looking to either defer the CGT to a later date and mitigate it with future CGT allowances or look to mitigate immediately some of the CGT paid.
He is a sophisticated investor as the Capital Gains he is looking to defer are from a history of steady investments into Shares.

Based on the income tax paid and expected to pay, George could invest £43,166 into an EIS in the current fiscal year that would give him an income tax rebate of £12,949 which mitigates the 2015/16 and the expected 2016/17 income tax payment.

In addition, this would defer the CGT paid in the 2014/15 tax year to a later date, meaning he is able to make a reclaim on the CGT paid in the region of £12,086 (based on 28% CGT rate). So for George's investment of £43,166 he would be able to make tax refund claims of £25,035 (or close to 58% of his initial investment). As this investment does not fully cover George's total CGT liability, he could make a further investment in the 2017/18 tax year in the region of £20,000 to defer the remaining CGT liability and most of the expected income tax in that year (based on similar levels of income tax).

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Let's break those numbers down:

Capital Gain 2015/16	£56,140 Net of CGT Allowance Taxed at 28%
Income Tax 2015/16	£6,475
Income Tax 2016/17	£6,475 (expected)
EIS Investment 16/17	£43,166
EIS Income Tax Rebate	£12,949
Capital Gain EIS Rebate	£12,086 (based on CGT rate of 28%)
TOTAL REBATE 16/17	£25,035
Income Tax 2017/18	£6,475 (expected)
EIS Investment 17/18	£20,000
EIS Income Tax Rebate	£6,000
Capital Gain EIS Rebate	£3,632 (based on 28% CGT tax)

Summary

Although this is a high risk investment, with tax rebates of up to 58% of the investment coupled with Loss Relief, the typical risk/reward balance for a client's investment is not the only consideration. At Kuber Ventures an initial investment of £43,166 could be invested via 8 managers giving your client the added protection of diversification. This, when combined with the stringent due diligence we do on all our investment partners, adds up to a total holistic approach to planning.

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. The example provided in this flyer is for illustrative purposes only and should not be relied on when taking or advising on any investment decision.

EIS/SEIS/BPR Funds are not suitable for all investors as the underlying investments are often illiquid and therefore high risk. Investors may not receive back some or all of the initial investment. Advice should always be sought from a professional adviser prior to investing.

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