beinspired...

For Professional Adviser use only
Discussion Document Not for Advice Purposes

A client surrendering a Bond

Mike is looking for some advice on Inheritance Tax Planning. His estate contains a property and an onshore bond. The value of his property is in excess of the nil rate IHT personal allowance. Mike has fully used his personal savings allowance for the year. Mike is a higher rate tax payer.

Mike is a widower and in his early 60's. He has owned the onshore bond for 12 years, in which he originally invested £80,000. The current value is £160,000. He has never taken any lump sums from the bond or regular withdrawals under the 5% pa deferment regime. What this means is, if Mike decides to surrender his bond, the chargeable event will equate to an income tax bill of £16,000 (£160,000 - £80,000 = £80,000 x 20% = £16,000).

He has 2 children and a further 3 grandchildren but has no intention of giving them any funds during his lifetime.

Mike's IFA has looked at the option for converting into a Discounted Gift Trust on the existing bond but unfortunately this is not available with his bond provider. If he should surrender and reinvest into a Discounted Gift Trust then he would have the chargeable event detailed above and also give up access to his capital, which Mike says he does not want to do.

An EIS investment offers an income tax rebate of up to 30% of the contribution which can go against income tax paid from all sources for a client in the current and immediately previous fiscal tax year.

This means that should Mike want to cover the tax he is due to pay on his bond if he invests £54,000 into an EIS then he could repay his income tax bill with the rebate due (£54,000 x 30% = £16,200). In addition to this, once Mike has held this investment for a 2 year qualifying period then these funds would be considered to be IHT free. An EIS arrangement is not a liquid asset so Mike would need to be comfortable not accessing these funds until they became liquid.

As the EIS is not accessible during its lifetime then it may be suitable for Mike to consider a BPR investment for the remaining £106,000. Once it has been invested for 2 qualifying years it is completely free of IHT. This type of investment has better liquidity and under normal circumstances Mike should be able to access some or all of the funds at any time and so this might prove to be useful to Mike should he need access to his funds in the short term.

When Mike's EIS matures he can move the funds into a BPR arrangement which will continue to be IHT free and will give him full access to all his funds.

Kuber VENTURES
Opening the door to EIS investment

Contact
Kuber Ventures Limited
25 Sackville Street
London W1S 3AX
Telephone 020 7952 6685
Email info@kuberventures.com
Visit www.kuberventures.com

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 amount invested. Advice should always be sought from a professional adviser prior to investing.

For purposes of compliance with the UK Financial Services and Markets ACT 2000 (FSMA), this material is communicated by Kuber Ventures; and the contents of this financial promotion have been approved for the purposes of section 21 of the FSMA by Sturgeon Ventures LLP which is authorised and regulated by the Financial Conduct Authority (FCA) and it has its trading office at Linstead House, 9 Disraeli Road, London SW15 2DR.

Kuber Ventures Limited's advisors are all regulated by the Financial Conduct Authority (FCA) and can be found on http://www.fca.org.uk/

Kuber Ventures Limited (FRN 574987) is an Appointed Representative of Sturgeon Ventures LLP which are authorised and regulated by the Financial Conduct Authority (FCA).

Kuber Ventures Limited, 25 Sackville Street, London, W1S 3AX

Registered number: 8693809, VAT: 175 9290 69.

Kuber Ventures Limited
25 Sackville Street
London W1S 3AX

Telephone 020 7952 6686
Email info@kuberventures.com
Visit www.kuberventures.com

Kuber VENTURES
Opening the door to EIS investment