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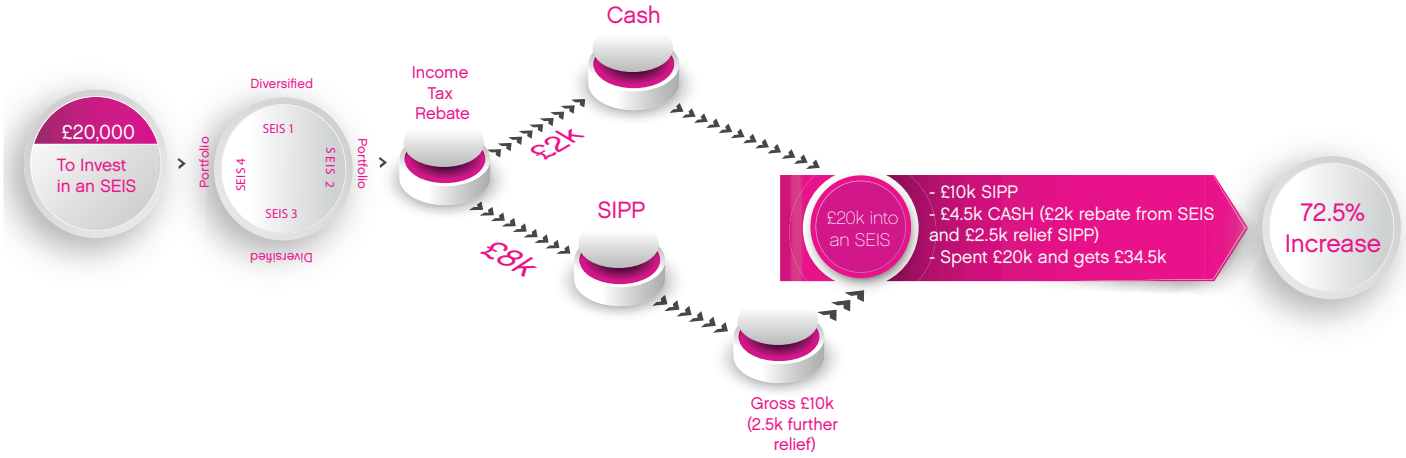
Pension taper contributions reducing – time to consider SEIS?

An alternative tax efficient saving for top rate Income Tax payers who have had their pension contributions reduced from £40,000 pa down to £10,000 pa and who may have exhausted the option of topping up using carry forward.



Income Tax

> £20k has the potential to deliver tax incentives of 72.5% meaning that the combination of SIPP contributions and tax rebates could equate to 95% of the SEIS investment

> £20k SEIS investment can deliver tax rebates from which a SIPP can be funded and gives an overall £14.5k of tax incentives. This compares to investing £40k and getting £18k of tax incentives

Inheritance Tax/Capital Gains Tax

> An SEIS held under Business Property Relief rules is removed from the investors estate for Inheritance Tax purposes after 2 years

> An SEIS investment also qualifies for CGT reinvestment relief which gives 50% relief against a CGT liability

> Investors with capital gains may get up to £21,900 in a combination of SIPP funding plus tax rebates from the £20k SEIS investment

Kuber VENTURES
Opening the door to EIS investment

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Illustrative outcomes		An illustrative lower case outcome:	
		From the initial £20k SEIS investment, the client has:	
SEIS investment	£20k +/- growth	SIPP Contribution	£10k
SIPP investment	£8k + £2k relief = £10k	Residual cash from rebates	£4.5k
Income tax rebate (SEIS)	£10k	Loss relief	£4.5k
Income tax rebate (SIPP)	£2.5k	Residual value	£0
			£19k
		CGT reinvestment relief £2k non property (NB Additional £1.6k available if gain from property)	£2k
			£21k
Net outcome	£20k SEIS £10K SIPP £4.5 cash		

A Seed Enterprise Investment Scheme (SEIS) is a higher risk investment plan designed to invest into qualifying unlisted shares in UK based companies which has 5 main tax benefits:

1. Income tax rebate of 50% against all income tax sources paid in the current and the previous fiscal tax year
2. An ability to reduce a Capital Gain and therefore the associated Capital Gains Tax bill
3. After 2 years all qualifying investments that are held become exempt from IHT, provided they continue to be held at the time of death
4. Should investments underperform then they can qualify for loss relief
5. When the investments mature they are free of income and capital gains tax when an income

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 their initial investment. Advice should always be sought from a professional adviser prior to investing.

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