

Enterprise Investment Scheme (EIS)

Benefits of EIS

- 30% tax relief
- a £100 investment only costs you £70
- CGT exemption - Tax free capital growth
- CGT deferral
- Potential IHT relief in two years
- Loss Relief

Suitable Investors

- Tax payers
- Can invest for at least 3 years looking for...
 - Tax efficient investment
 - An alternative investment to pensions
 - Reduction in IHT liability

Example Investment	
Initial Investment	£100,000
Targeted Return (after charges)	£105,000
Cost (after 30% income tax relief)	£70,000
Targeted Profit Tax Free (includes tax relief)	£35,000 - (50% at end of three years)
Annualised Rate of Return	14.47% per annum
Gross equivalent 40% taxpayer	22.39% per annum
Gross equivalent 45% taxpayer	24.05% per annum

Modern Approach – Downside Protection & Defined Liquidity Strategy

There are specialist companies that invest in EIS qualifying companies, and the best propositions are now relatively secure with in-built downside protection. The companies they invest in aim for steady rather than exceptional growth, but are formed around a good business model. Some propositions now also employ liquidity strategies; these are designed to make it easier for investors to sell their investments at the end of the investment term, although the exact timing and value of sales cannot be guaranteed.

A few example business types that contemporary EIS companies invest in are shown below:

Business Type	Example
Media	Television series and feature film production
Ticket Agency	Investment in specific companies with strong management teams, across a variety of sectors
Generalist	Investment in a variety of companies across different sectors, where a strong management team exists

Notes on EIS

The EIS is a government initiative designed to encourage investment in the UK's enterprise market, and various tax reliefs are available to investors who subscribe for qualifying shares in qualifying companies. The investment is the purchase of shares in a company, or portfolio of companies. For tax relief to be available under the EIS, the investee companies must be 'qualifying' - they must meet certain criteria set by the Government.

The minimum practical contribution is £10,000 (varying by product), with the maximum £1m per tax year. Income tax relief cannot exceed income tax paid in any given tax year. An investment qualifying for EIS should also qualify for 100% relief from IHT once it has been held for two years and is still owned at the date of death. To qualify for income tax relief an EIS must be held for at least three years.

How we can help

We will be more than happy to provide you with assistance or any additional information you may require.

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