

NEW YEAR TAX BLUES?

Did the end of January leave with you with a large tax bill? Are you thinking you'd like to reclaim some of it? There are investments available which can enable you to do so.

Enterprise Investment Schemes (EIS) offer 30% income tax relief, tax free growth, and 100% inheritance tax relief after two years but must be held for a minimum of 3 years. In addition capital gains tax can be deferred and upon sale loss relief may be available. For example, investing £100,000 into an EIS could provide £30,000 income tax relief, £40,000 inheritance tax saving and defer a capital gain up to £100,000.

Many EISs invest with the aim of capital preservation in the renewable energy market. Investing in this sector takes advantage of predictable government backed income streams, helping to reduce the risk of these investments. By investing £100,000 into EISs on a 3 year rolling basis £10,000 of income tax relief could be claimed each year and from year 4 onwards the original capital can be re-invested to provide a further £10,000 income tax relief on the same original investment amount. Venture Capital Trusts (VCTs) offer 30% income tax relief, tax free dividends and tax free growth but must be held for a

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minimum of 5 years. Therefore a rolling strategy would need an extra two years of investment however the tax free dividends may be a good addition to income in retirement along side income tax relief on pension income. Many VCTs like EISs invest into the renewable energy market benefitting from the predictable income streams to help reduce risk. A key benefit of EIS over VCT is the ability to carry back income tax relief to the previous tax year. If you've just paid an income tax bill for 2012/13 tax year an investment into EIS before 5th April 2014 could reclaim this tax.

EIS and VCT investments are very effective for claiming tax relief but are also high risk investments and their exits after 3 or 5 years can't be guaranteed. They should always be considered as part of a diversified investment strategy and independent financial advice sought before investing into EIS and VCT to explain the risks involved.

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If you would like information on how we may be able to assist you with tax efficient investments or any other financial planning matters please contact me at james.wright@scruttonbland.co.uk or on 01206 838400