Calculus Capital

The Benefits of EIS Investing: Case Studies

info@calculuscapital.com

www.calculuscapital.com

020 7518 8058

eisa enterprise investment scheme association
BEST EIS INVESTMENT EXIT
2012

eisa enterprise investment scheme association
BEST EIS FUND MANAGER
2011

eisa enterprise investment scheme association
BEST EIS FUND MANAGER
2009

Professional Adviser awards 2010 Winner
BEST EIS PROVIDER

Important Notes:

- The following examples are for illustrative purposes only and should not be relied upon to predict actual returns. The examples are based on current legislation which could change in the future. All comparisons exclude the impact of charges, interest and dividend income, which may vary.

- In all the examples that follow, the amount shown as invested in Calculus Capital EIS Fund 15 means the net amount invested in Qualifying Companies by the Fund net of charges.

- Income tax relief is limited to an amount which reduces the Investor's income tax to nil.

- It is assumed that the clients described have sufficient knowledge, experience and expertise to understand the risks of investing in EIS.

Case Study 1 – CEO/Trader

1

Investor Profile:

James, CEO/Trader. He works hard and wants his money to do the same. James has a net wealth that can support investment regarded as higher risk, however he would like to support his downside.

Tax liability:

Would like to manage his income tax liability

Investment rationale:

Would like to manage his tax liability, particularly income tax. He is also interested in tax free capital growth

→ **Calculus Capital EIS Fund 15**

James invests £100,000 (net after fees) in EIS Fund 15 and benefits from income tax relief at 30% (£30,000)

	Income Tax Relief @ 30%
Investment in the Fund	£100,000
Income Tax Relief at 30%	£(30,000)
Net cost of investment	£70,000

Loss relief: should a single investee company within his portfolio (cost £10,000) fall to £0, loss relief of £3,150* available (current rate: 45%** of net loss)

No capital gains tax to pay on investment growth

Income tax relief can be carried back one tax year - helping with the tax liability from last year

*no loss relief on income tax relief
**calculated at investor's marginal rate of tax

	EIS Investment	Excluding EIS Tax Benefit
Initial Investment (net after fees)	£100,000	£100,000
Income Tax Relief	(£30,000)	-
Net Cost	£70,000	£100,000
Proceeds (assumes 15% net growth on £100,000)	£115,000	£115,000
Gross Gain (assumes 15% net growth)	£45,000	£15,000
CGT (28%)	-	£4,200
Net Gain (assumes 15% growth)	£45,000	£10,800

104 Park Street, London, W1K 6NF | +44 (0) 20 7493 4940 | www.calculuscapital.com

Case Study 2 – Sold a buy-to-let property

Investor Profile:

Sarah, Mother of two

Tax liability:

Recently sold a buy-to-let investment property, has a taxable gain of £1 million

Investment rationale:

Would like to protect the proceeds of the sale for her children, key focus is Capital Gains Tax deferral and Inheritance Tax Relief

→ Calculus Capital EIS Fund 15

Sarah invests £1million* into Calculus Capital EIS 15

- Once investment in an underlying company is realised, the deferred gain is charged under capital gains tax (CGT) rate in the year of disposal
- If the CGT rate is 28% in the year of disposal, tax payable would be £280,000
- By rolling proceeds into a later EIS Fund the gain remains deferred and not taxable - this can be done indefinitely
- If the shares are held until death, the original CGT liability dies as well. Disposal timings must be taken into account, please see next page

IHT Relief

If the shares of held for two out of five years and are held at the time of death, the estate will save 40% inheritance tax on the value of the investment.

*(net after fees)

Case Study 2 – Sold a buy-to-let property

Sarah must make EIS qualifying investments within three years of disposal to qualify for capital gains tax deferral. Or the disposal can occur up to 12 months after investment in EIS qualifying companies.

For example, if Sarah sold the property in October 2013...

Calculus CAPITAL

HM Revenue & Customs

Sells house

Within 18 months

Invests £1 million* into EIS Fund 15

12 - 18 months

Completed investments into 8-10 EIS qualifying companies

October 2013

October 2014

April 2016

*(net after fees)

Investor Profile:

Harold, retired, lives off a considerable pension and wants to protect his lifestyle. Harold also has a share portfolio with a value of £1 million

Tax liability:

Would like to manage inheritance tax and capital gains tax liabilities

Investment rationale:

Would like to protect his estate for future generations

→ Calculus Capital EIS Fund 15

- **Harold decides to liquidate part of his portfolio and invests £100,000* in EIS Fund 15**

- **EIS Shares held for 2 years qualify for IHT relief - under Business Property Relief ('BPR')**

- **Harold can claim £30,000 income tax relief (liable for inheritance tax at 40%) if shares held for 3 years**

- **If shares held at the time of death and have been held for the minimum two years, the estate saves 40% inheritance tax on the value of the investment**

Reinvestment Fund & IHT

Harold can choose to have realisations reinvested in our separate Reinvestment Fund to minimise exposure to IHT liability. Any capital gains tax liability previously deferred is deferred once again. At death, the CGT liability expires

*(net after fees)

Case Study 3 – Retiree

3

	EIS Investment	Excluding EIS Tax Benefit
Initial Investment (net after fees)	£100,000	£100,000
Income Tax Relief	(£30,000)	-
Net Cost	£70,000	£100,000
Proceeds (assumes 15% net growth)	£115,000	£115,000
Gross Gain	£45,000	£15,000
Inheritance Tax at 40%	(£12,000)*	(£46,000)
Net Gain	£33,000	(£31,000)

*no IHT relief on cash from income tax relief

104 Park Street, London, W1K 6NF | +44 (0) 20 7493 4940 | www.calculuscapital.com

Risks Of EIS Investing

- The value of investments can fall as well as rise and an investor may not get back the original investment amount. The illustrated 15% gain is purely indicative and is not in any way guaranteed
- Past performance is not an indication of future performance
- Unquoted investments can or may be illiquid and difficult to realise and an investment in the fund should be regarded as 'long term,' being held for at least 3 years
- Investments must be held for a minimum of 3 years to achieve tax reliefs, if eligible
- Investment in smaller and unquoted companies carries a higher risk than other forms of investment
- Tax reliefs are dependent upon an investor's individual circumstances and are subject to change
- This presentation is for sophisticated advisers only, and should not be relied upon by retail clients

Calculus CAPITAL

eisa enterprise investment scheme association
BEST EIS INVESTMENT EXIT
2012

eisa enterprise investment scheme association
BEST EIS FUND MANAGER
2011

eisa enterprise investment scheme association
BEST EIS FUND MANAGER
2009

Professional Adviser awards 2010
Winner
BEST EIS PROVIDER