

Reducing a Significant Income Tax Liability Through a VCT Investment

Please note:

Benefits of tax-efficient investments are subject to change and personal circumstances.

Scenario

A key aim for many high-earning clients is to reduce their Income Tax bill. A tax-efficient vehicle like a Venture Capital Trust (VCT) can help them do just that. Take a look at Eric's situation. He's a CEO who earns £300,000 a year and would like to mitigate Income Tax.

As a sophisticated investor Eric can take on a higher level of risk. So, he's comfortable with the idea of using a VCT when his adviser suggests it. Eric can see that the tax benefits offered by VCTs, to offset the risks of investing in early-stage companies, include 30% Income Tax relief. This is along with tax-free dividends and gains free of Capital Gains Tax (CGT) on the sale of shares in the VCT.

Solution

Eric and his adviser plan for him to invest £100,000 annually into a VCT. He will then claim the 30% Income Tax relief each year. Eric also aims to maintain any dividend payments made as tax-free income.

Steps

Select VCT: Eric's adviser helps him select a VCT from an established provider, targeting dividends of 5% p.a. through investing in firms at growth stage. It also operates a share buyback scheme which is at the discretion of the VCT's Board and subject to regulation.

Invest and claim Income Tax relief: Eric invests £100,000 annually. He claims 30% Income Tax relief in each tax year, achieving a high level of cumulative relief.

Potentially start to see dividends: From year 5, as the VCT's investee firms start to become profitable, Eric can begin receiving annual tax-free dividend income.

Solutions for Investors and Support for Advisers

Blackfinch works in partnership with advisers to help meet their clients' investment needs. A specialist in tax efficient investing, it develops solutions in response to adviser feedback.

To find out more please speak to one of our team on **01452 717070** or email **enquiries@blackfinch.com**.

IMPORTANT INFORMATION

Capital at risk. Please refer to the product literature for all risk warnings applicable to the Blackfinch Spring VCT. This article is issued by Blackfinch Investments Limited (Blackfinch), which is authorised and regulated by the Financial Conduct Authority (FCA number 153860). Registered address: 1350-1360 Montpellier Court, Gloucester Business Park, Gloucester, GL3 4AH. Registered in England and Wales company number 02705948. This article is for intermediary information only and does not form any offer or invitation to invest. All information correct at February 2024.