

## Tax Reliefs on Investing in Unquoted Companies

For some years now it has been UK government policy, regardless of the hue of the governing party to provide tax based incentives for investing in “small” UK businesses. The view has been that these companies (and small can be quite large!) suffer from a lack of access to high quality capital particularly in the range £100,000 to £1million. Accordingly a number of very useful reliefs exist:

### Capital Gains Tax

All investments attract capital gains tax at 18% after the first £10,100 of gains. Although not as attractive as the former business asset taper, this is still significantly less than the higher rate of 40% (or 50% from next year). Also capital gains may often be mitigated by reliefs such as rollover and EIS (as below).

### Enterprise Investment Scheme

A highly generous relief that allows investments of up to £500,000 in value (subject to a number of restrictions) to receive 20% income tax relief (worth £100,000 on a maximum investment – assuming tax paid/payable exceeds this amount). Additionally after three years any gains will be free of UK capital gains tax. There exist some provisions for deferring other gains into EIS investments.

### Inheritance Tax Business Property Relief

If held for more than two years an investment in an unquoted company will be exempt from inheritance tax under the BPR rules. This is becoming increasingly popular.

### Loss Relief for Subscribed Shares

Realised losses on subscribed shares may be offset against income in the year of realisation. One does not like to dwell on losses, but this relief radically alters the internal rate of return for a speculative share. As ever advice should be taken before investing, however, careful use of these reliefs can reap rewards!

**Ashings was established in 1994 and provides a range of service to private individuals and businesses. For further information, please contact Darryl Ashing at Ashings Accountants on 020 7117 0210 or visit [www.ashings.com](http://www.ashings.com).**

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