

# JENSON SEIS & EIS FUND

## Summary of Tax Benefits

### Summary of Investor Tax Reliefs

#### SEIS

A summary of the tax reliefs available for investors who are UK taxpayers which are available under the Seed EIS scheme when the taxpayer usually files their annual tax returns is as follows:

- Income tax relief up to 50% of the amount invested up to a limit of £100,000 invested based on the income tax payable irrespective of the investor's income tax rate or thresholds
- Capital gain tax wipe-out relief up to 14% on capital gains you have which is 50% less than the normal charge for capital gains tax ("CGT")
- On the sale of an investment after three years, all capital gains will be tax free
- If the investment has been held for at least two years, there is 100% relief from inheritance tax
- If the investment fails, loss relief is available against taxable income (after deduction of the income tax relief obtained on making the investment)

#### EIS

A summary of the tax reliefs available for investors who are UK taxpayers, which are available under the EIS scheme when the taxpayer usually files their annual tax returns is as follows:

- Income tax relief up to 30% of the amount invested up to a limit of £2 million invested based on the income tax payable irrespective of the investor's income tax rate or thresholds
- Capital gain tax ('CGT') deferral relief up to 28% on capital gains
- On the sale of an investment after three years, all capital gains will be tax free
- If the investment has been held for at least two years, there is 100% relief from inheritance tax
- If the investment fails, loss relief is available against taxable income (after deduction of the income tax relief obtained on making the investment)

### Income Tax and CGT Restrictions

Income tax relief is available for most UK taxpayer's income which is subject to taxation whether through the PAYE system or self-employed assessment system except the notional tax credit on dividend income as that tax credit is not recoverable. The capital gains wipe-out relief follows on from the income tax relief so investors with just a CGT liability cannot claim this relief.

### Tax Relief Examples\*

#### SEIS

Here are examples of how the tax reliefs work under SEIS below but these are for illustration only and do not constitute tax advice for any investor:

#### 1) If you invest £100,000 from a capital gain realised this tax year, you can get:

- a. An income tax rebate (assuming you paid enough income tax) of up to 50% - £50,000
- b. A CGT wipe-out relief of your capital gains of up to 14% - £14,000 which is a 50% saving in normal CGT liability.

On exit after three years or more, this gives:

- a. **Successful Exits** - this leaves a net cost of investing of £36,000 (36p in the £).

So, if an investment of £10,000 returned the initial amount invested on exit, you would have generated a gain of just over 2.7 times the net cost of investment (the net cost was £3,600). If an investment sold for three times the investment cost (£30,000), then the capital gain of £20,000 is CGT free.

- b. **Investment Fails** - if an investment fails, then you receive loss relief at your marginal tax rate on the amount invested less the income tax relief received.

So, if an investment of £10,000 was made in a company and £1,400 was saved in CGT and £5,000 was received back in income tax relief, the loss relief would be £2,250 if you are a 45% tax payer (£10,000 less £5,000 income tax relief multiplied by 45%). This gives a £1,350 net overall loss where £10,000 was invested and then received tax reliefs of £8,650. If you are a 40% tax payer, the loss relief would be £2,000 (£10,000 less £5,000 income tax relief multiplied by 40%). This gives a £1,600 net overall loss where £10,000 was invested and received tax reliefs of £8,400.

**2) If you invest £100,000 this tax year but do not have any chargeable gains, you can get:**

a. An income tax rebate (assuming you paid enough income tax) of up to 50% - £50,000.

On exit after three years or more, this gives:

a. **Successful Exits** - this leaves a net cost of investing of £50,000 (50p in the £).

So, if an investment of £10,000 returned the initial amount invested on exit, it would have generated a gain of 2 times the net cost of investment (the net cost was £5,000). If an investment sold for three times the investment cost (£30,000), then the gain of £20,000 is capital gains tax free.

b. **Investment Fails** - if an investment fails, then you receive loss relief at your marginal tax rate on the amount invested less the income tax relief received. So, if an investment of £10,000 was made in a company and £5,000 was received back in income tax relief the loss relief would be £2,250 if you are a 45% tax payer (£10,000 less £5,000 income tax relief multiplied by 45%). This gives a £2,750 net overall loss where £10,000 was invested and then received tax reliefs of £7,250. If you are a 40% tax payer, the loss relief would be £2,000 (£10,000 less £5,000 income tax relief multiplied by 40%). This gives a £3,000 net overall loss where £10,000 was invested and received tax reliefs of £7,000.

A summary of the SEIS Tax Reliefs is as follows:

	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Investment Amount	£10,000	£10,000	£10,000	£10,000
Tax Incentive 1: Income Tax relief at 50%	(£5,000)	(£5,000)	(£5,000)	(£5,000)
Net cost to Investor	<b>(£5,000)</b>	<b>(£5,000)</b>	<b>(£5,000)</b>	<b>(£5,000)</b>
Tax Incentive 2: Capital gains tax wipe-out relief at 14%	(£1,400)	n/a	(£1,400)	n/a
Net cost to Investor	<b>£3,600</b>	<b>£5,000</b>	<b>£3,600</b>	<b>£5,000</b>
Exit Realisation	£20,000	£20,000	n/a	n/a
Tax Incentive 3: Tax free capital gains	£ -	£ -	n/a	n/a
Tax Incentive 4: Inheritance tax relief	£ -	£ -	n/a	n/a
Tax Incentive 5: Loss relief at 45%	n/a	n/a	(£2,250)	(£2,250)
<b>NET GAIN/(LOSS) TO INVESTOR</b>	<b>£16,400</b>	<b>£15,000</b>	<b>(£1,350)</b>	<b>(£2,750)</b>
Gain percentage on net cost	355%	200%	n/a	n/a
Loss percentage on Investment amount	n/a	n/a	(13.5%)	(27.5%)

## EIS

Here are examples of how the tax reliefs work below under EIS but these are for illustration only and do not constitute tax advice for any investor:

### 1) If you invest £100,000 from a capital gain realised this tax year, you can get:

- a. An income tax rebate (assuming you paid enough income tax) of up to 30% - £30,000
- b. A CGT deferral relief of your capital gains of up to 28% - £28,000.

On exit after three years or more, this gives:

a. **Successful Exits** - this leaves the initial net cost of investing at £42,000 (42p in the £) although the £28,000 CGT deferral relief becomes due on exit so the overall cost is £70,000

(70p in the £) but there is the initial cash flow benefit of the CGT delay.

So, if an investment of £10,000 returned the initial amount invested on exit, you would have generated a gain of just over 1.4 times the net cost of investment (the net cost was £7,000). If an investment sold for three times the investment cost (£30,000), then the capital gain of £20,000 is CGT free.

b. **Investment Fails** - if an investment fails, then you receive loss relief at your marginal tax rate on the amount invested less the income tax relief received.

So, if an investment of £10,000 was made in a company and £3,000 was received back in income tax relief, the loss relief would be £3,150 if you are a 45% tax payer (£10,000 less £3,000 income tax relief multiplied by 45%). This gives a £3,850 net overall loss where

£10,000 was invested and then received tax reliefs of £6,150. If you are a 40% tax payer, the loss relief would be £2,800 (£10,000 less £3,000 income tax relief multiplied by 40%). This gives a £4,200 net overall loss where £10,000 was invested and received tax reliefs of £5,800. The deferred CGT liability becomes due but effectively this is wiped out through the loss relief.

### 2) If you invest £100,000 this tax year but do not have any chargeable gains, you can get:

- a. An income tax rebate (assuming you paid enough income tax) of up to 30% - £30,000.

On exit after three years or more, this gives:

- a. **Successful Exits** - this leaves a net cost of investing of £70,000 (70p in the £).

So, if an investment of £10,000 returned the initial amount invested on exit, it would have generated a gain of just over 1.4 times the net cost of investment (the net cost was £7,000). If an investment sold for three times the investment cost (£30,000), then the gain of £20,000 is capital gains tax-free.

- b. **Investment Fails** - if an investment fails, then you receive loss relief at your marginal tax rate on the amount invested less the income tax relief received.

So, if an investment of £10,000 was made in a company and £3,000 was received back in income tax relief the loss relief would be £3,150 if you are a 45% tax payer (£10,000 less £3,000 income tax relief multiplied by 45%). This gives a £3,850 net overall loss where £10,000 was invested and then received tax reliefs of £6,150. If you are a 40% tax payer, the loss relief would be £2,800 (£10,000 less £3,000 income tax relief multiplied by 40%). This gives a £4,200 net overall loss where £10,000 was invested and received tax reliefs of £5,800.

Summary of EIS Tax Reliefs is as follows:

	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Investment Amount	£10,000	£10,000	£10,000	£10,000
Tax Incentive 1: Income Tax relief at 30%	(£3,000)	(£3,000)	(£3,000)	(£3,000)
Tax Incentive 2: Capital gains tax wipe-out relief at 14%	(£2,800)	n/a	(£2,800)	n/a
<b>Net cost to Investor</b>	<b>£4,200</b>	<b>£7,000</b>	<b>£4,200</b>	<b>£7,000</b>
Exit Realisation	£20,000	£20,000	n/a	n/a
Tax Incentive 3: Tax free capital gains	£ -	£ -	n/a	n/a
Tax Incentive 4: Inheritance tax relief	£ -	£ -	n/a	n/a
CGT deferral recovery on exit/failure	£2,800	£ -	£2,800	n/
Tax Incentive 5: Loss relief at 45%	n/a	n/a	(£3,150)	(£3,150)
<b>NET GAIN/(LOSS) TO INVESTOR</b>	<b>£13,000</b>	<b>£13,000</b>	<b>(£3,850)</b>	<b>(£3,850)</b>
Gain percentage on net cost	355%	200%	n/a	n/a
Loss percentage on investment amount	n/a	n/a	(38.5%)	(38.5%)

\*Please note the figures in this section are examples only. They are not, and should not be construed as, forecasts or projections of the likely performance of the investment described in this document. Please note that this is only a condensed summary of the taxation legislation and should not be construed as constituting advice which a potential Investor should obtain from his or her own investment or taxation adviser before applying for an investment in the Fund. The value of any tax reliefs will depend on the individual circumstances of Investors and are based on existing tax legislation at the time of writing.