

Advising on Tax Advantaged products: EIS, VCT and BR – post 2021 Budget

The Insurance
Institute of Sheffield
8 June 2021



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An investment in Puma VCTs, Puma Heritage Estate Planning Service (EPS), the Puma AIM Inheritance Tax Service and Puma Alpha EIS (collectively, the "opportunities") carries risk. Highlighted below are some of the key risks however you should read in full the relevant prospectus in the case of Puma VCTs and Investment Details in the case of Puma Alpha EIS, Puma AIM Inheritance Tax Service and Puma Heritage EPS, in particular the sections headed "risk factors":

CAPITAL AT RISK

The investment opportunities summarised in this document can be viewed as high risk and long term. Investors' capital may be at risk.

TAX RELIEFS

The value of any tax reliefs, as well as levels and bases of tax, depend on investors' personal circumstances and are based on current legislation which may be subject to change. There can be no guarantee of relief from tax or that the criteria to obtain reliefs will be fulfilled or that HMRC will not challenge entitlements to such relief.

LIQUIDITY

It is unlikely there will be a liquid market in the relevant underlying investments and it may prove difficult for investors to realise their investment immediately or in full.

DIVIDENDS

The payment of any dividends is not guaranteed and any such payments may erode the capital value of any underlying investment.

PRIVATE COMPANIES

Puma VCTs, Puma Heritage EPS and Puma Alpha EIS may invest in unlisted shares. Such investments can be more risky than investments in listed shares. Unlisted shares may be subject to transfer restrictions and may be difficult to sell. It may be difficult to obtain information as to how much an investment is worth or how risky it is at any given time. The credit-worthiness of any counterparties to whom loans are made by Puma VCTs or Puma Heritage EPS cannot be guaranteed. Counterparties may default on loans which could affect the value of shares.

PAST PERFORMANCE

Past performance is not a reliable indicator of future results and any forecast is not a reliable indicator of future performance.

GENERAL

The value of shares can fluctuate. In respect of certain investment opportunities and offers, investors may be able to take action against Puma Investments and access the Financial Ombudsman Service and the Financial Services Compensation Scheme.

LIFE PROTECTION

Life Protection for Puma Heritage EPS is subject to certain conditions, if these conditions are not met in full then Puma Investments will not be paid out and so no payment will be made to beneficiaries.

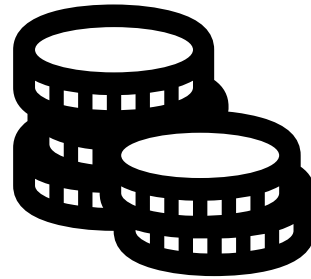
By the end of the session attendees should be able to:

- Recognise the potential for including tax efficient investments within clients portfolios
- Identify where a VCT, EIS or BR investment could benefit your clients
- Appreciate the opportunities for working with professional connections

The future of tax



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Public borrowing estimated to be
in excess of **£300bn** in financial
year ending March 2021

- Corporation Tax
- Individual Tax
- 'Stealth Tax'
- Timely payments
- Raising standards
- Tackling non compliance
- Taxation of trusts
- Simplifying IHT



Letter from Rt Hon
Jesse Norman MP
to the OTS
23 March 2021:

March 2021

"...the Government strongly supports key recommendations in the report.

...The Government will respond to the recommendations made in your second Inheritance Tax report on simplifying the design of inheritance tax in due course"

Professional Connections

Professional Financial Advice

Tax Efficient Investments

Planning ideas



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Venture Capital Trust



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Upto

30%

Income tax relief (on income up to a maximum of £200,000 each year)¹

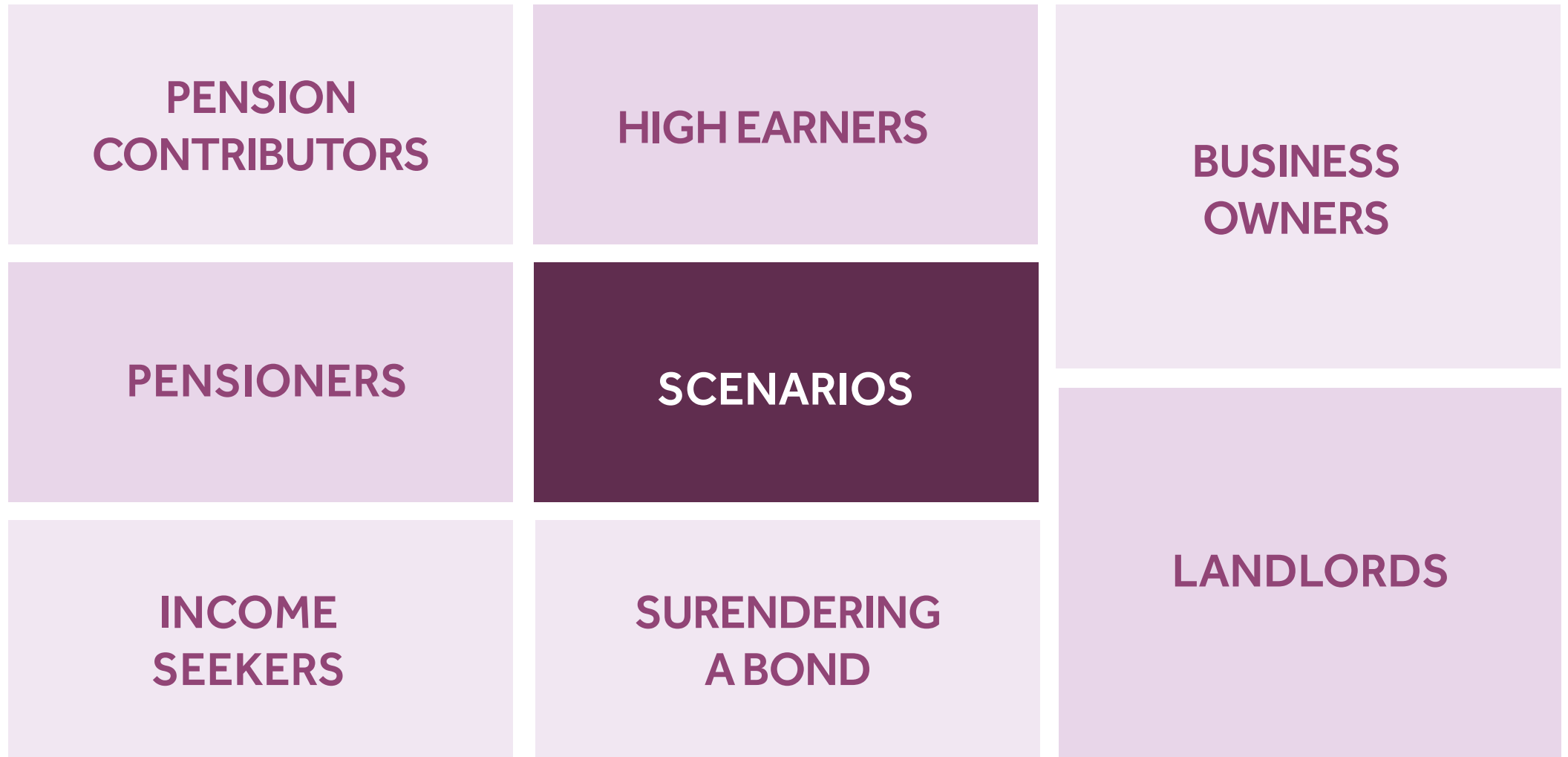
¹Investments need to be held for 5 years to qualify for income tax relief.

Tax reliefs are not guaranteed and depend on the individual investor's circumstances and may be subject to change.

Tax free dividends

Tax free capital gains

Should not be read as advice. For illustrative purposes only and assumes no gains or losses on investments. Please remember VCTs, EIS, and BR products are high risk and we always recommend investors seek independent investment and tax advice before considering investment. An adviser will need to consider client suitability and the eligibility and timings of tax reliefs and reclaims depicted, and the impact of charges, as relevant to the offering(s) represented and/or any specific offer chosen. Tax reliefs depend on the individual investor's circumstances and may be subject to change.



The scenario:

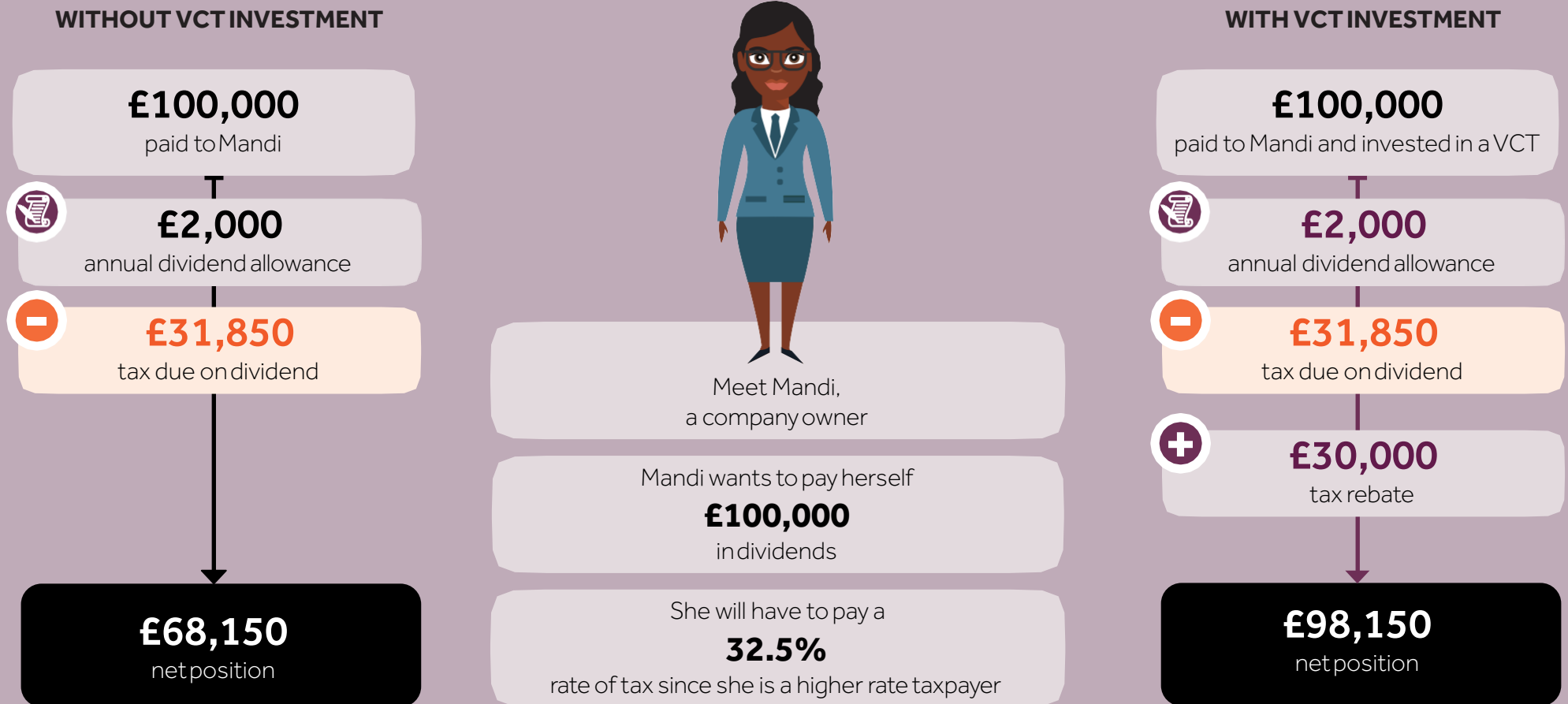
- Mandi is a company owner who wants to pay herself a £100,000 dividend
- She will have to pay tax at 32.5% since she is a higher rate taxpayer

The solution:

- She invests the £100,000 into a VCT, which provides her with a 30% tax credit to help offset her tax liability
- The tax refund can be claimed as soon as she receives her Income Tax certificate

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Using VCTs to extract profit tax efficiently



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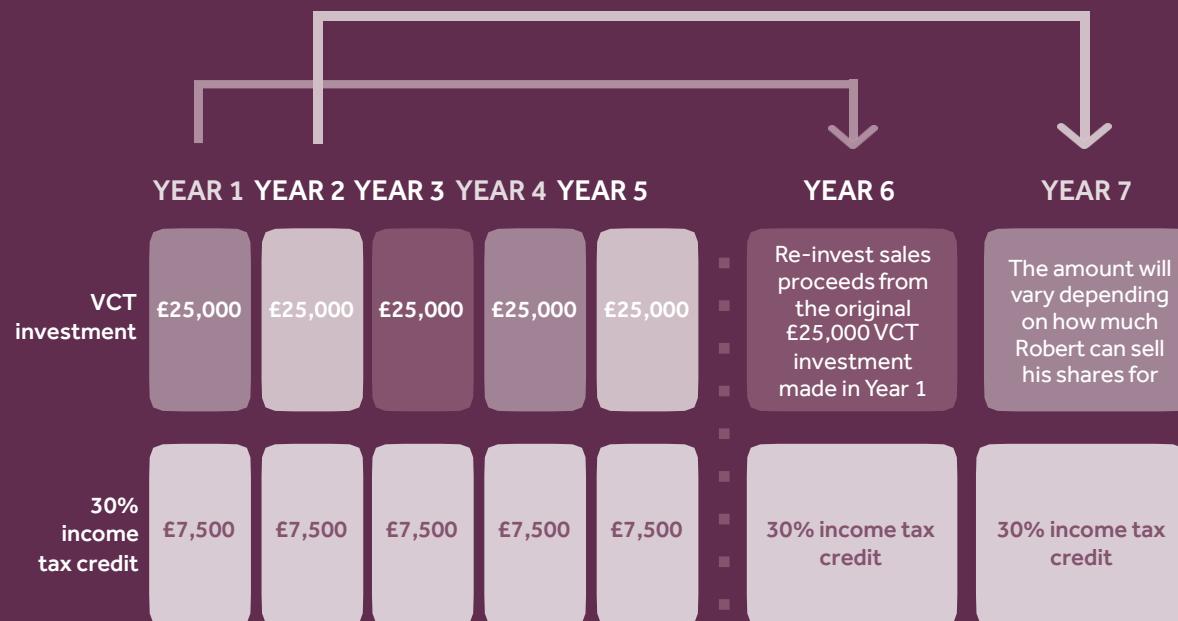
The scenario:

- Robert, a high-earning dentist, has accumulated significant Individual Savings Account (ISA) savings and pays large amounts into his Self-Invested Personal Pension (SIPP) each year.
- With a high annual tax bill, Robert is interested in other government-backed ways to reduce the amount of income tax he pays.

The solution:

- Given this, his adviser suggests investing £25,000 of his annual income in a VCT.
- With a VCT investment Robert can claim up to 30% income tax relief each tax year.
- After five years, sell the first VCT investment, then reinvest in another VCT and use the additional income tax relief to reduce his year six income tax bill.

Planning for clients who would like to enhance their retirement fund



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Enterprise Investment Schemes



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30%

Income tax relief

Loss relief

100%
CGT
deferral

Tax-free
growth

IHT relief

Business
Relief

	EIS	Business Relief
Purpose of legislation	Provision of tax incentives to encourage investment into early stage, higher risk unquoted companies	Business and shareholder protection for unquoted companies
Tax Reliefs	<ul style="list-style-type: none"> • Income tax relief • CGT exemption • CGT deferral • Loss relief • IHT relief 	<ul style="list-style-type: none"> • IHT relief
Investment restrictions and exclusions	<ul style="list-style-type: none"> • Unquoted only (includes AIM) • Employee number • Gross assets • Company age • Excluded activities • Risk to capital 	<ul style="list-style-type: none"> • Unquoted only (includes AIM) • Must be mainly trading
Liquidity of investment	Likely to be illiquid for medium to long term	Manager aims to provide regular liquidity events

**DIVERSIFYING
INVESTMENT**

OWNING A BUSINESS

**PENSION
CONTRIBUTION**

SCENARIOS

CAPITAL GAINS

**SURRENDERING
INVESTMENT BONDS**

OWNING PROPERTY

Should not be read as advice. Any decision in respect of suitability should be based on a holistic review of client objectives, needs and risk profile.

Please remember that EIS are high-risk products and we always recommend investors seek independent investment and tax advice before considering these products. Tax reliefs depend on the individual investor's circumstances and may be subject to change.

The scenario:

- Sally (83) owns a quoted share portfolio worth £500,000
- The shares were passed down by her deceased husband thus low base cost - £200k so shares pregnant with £300k gain
- Sally has low pension income and some dividends which generate an annual income tax liability of £10k
- She sells some shares each year to provide her with an income—ensures annual gains are under CGT nil rate band
- On death £200k IHT due (40% of the portfolio value)

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The scenario:

- She sells the shares and invest £300k into EIS
- Remainder of proceeds – £200k invest into BR solution (e.g. Puma Heritage)

The solution:

- Capital gain deferred – if held on death, gain dies
- After 2 years, £500k free of IHT – so £200k of IHT saved
- Income tax refund of £20k from current year and prior year
- Whilst the EIS is illiquid over its holding period, withdrawals can be taken from the BR investment¹ to replace income forgone through the sharesale

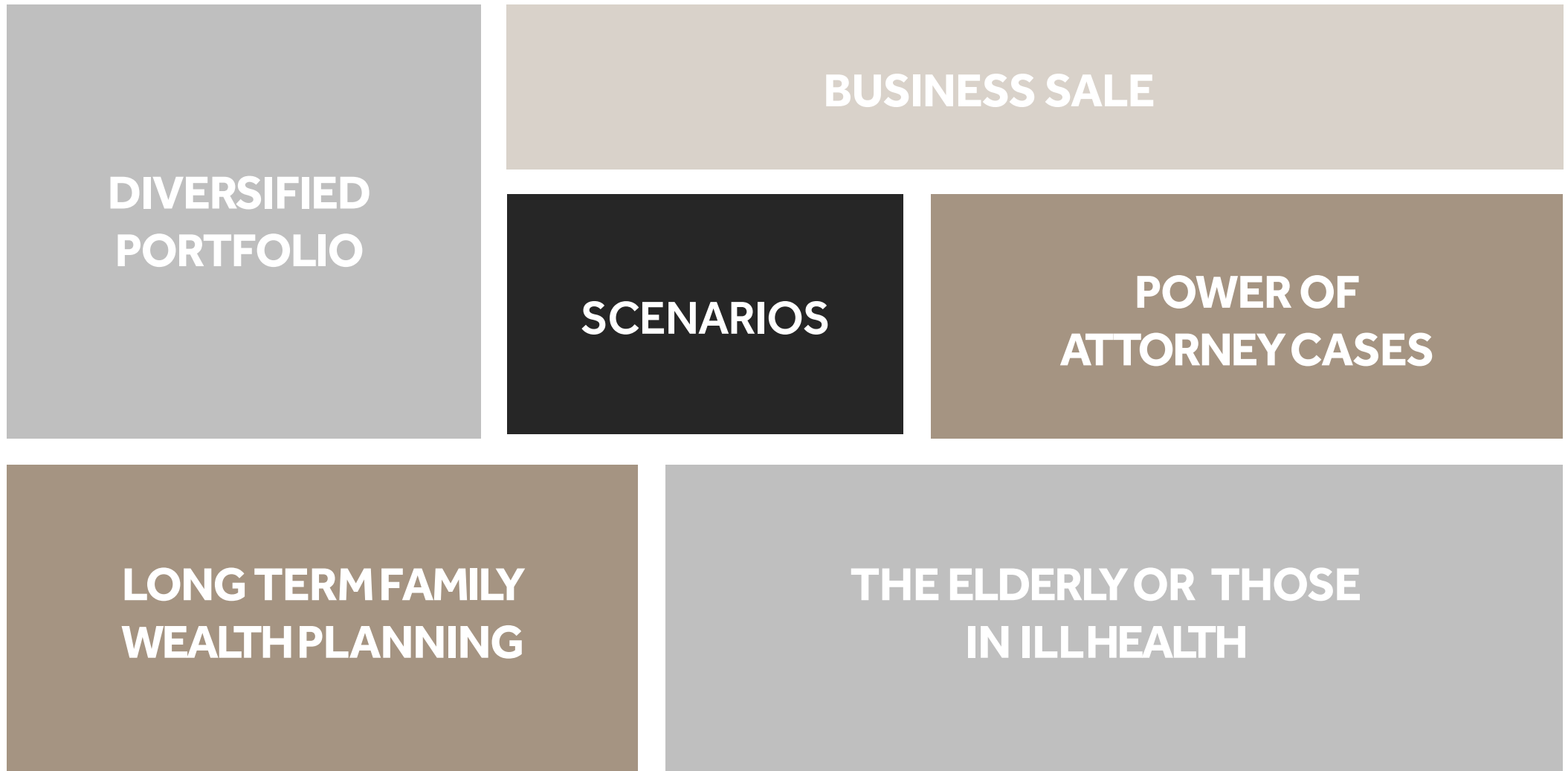
¹ This assumes that shares held are Puma Heritage EPS shares

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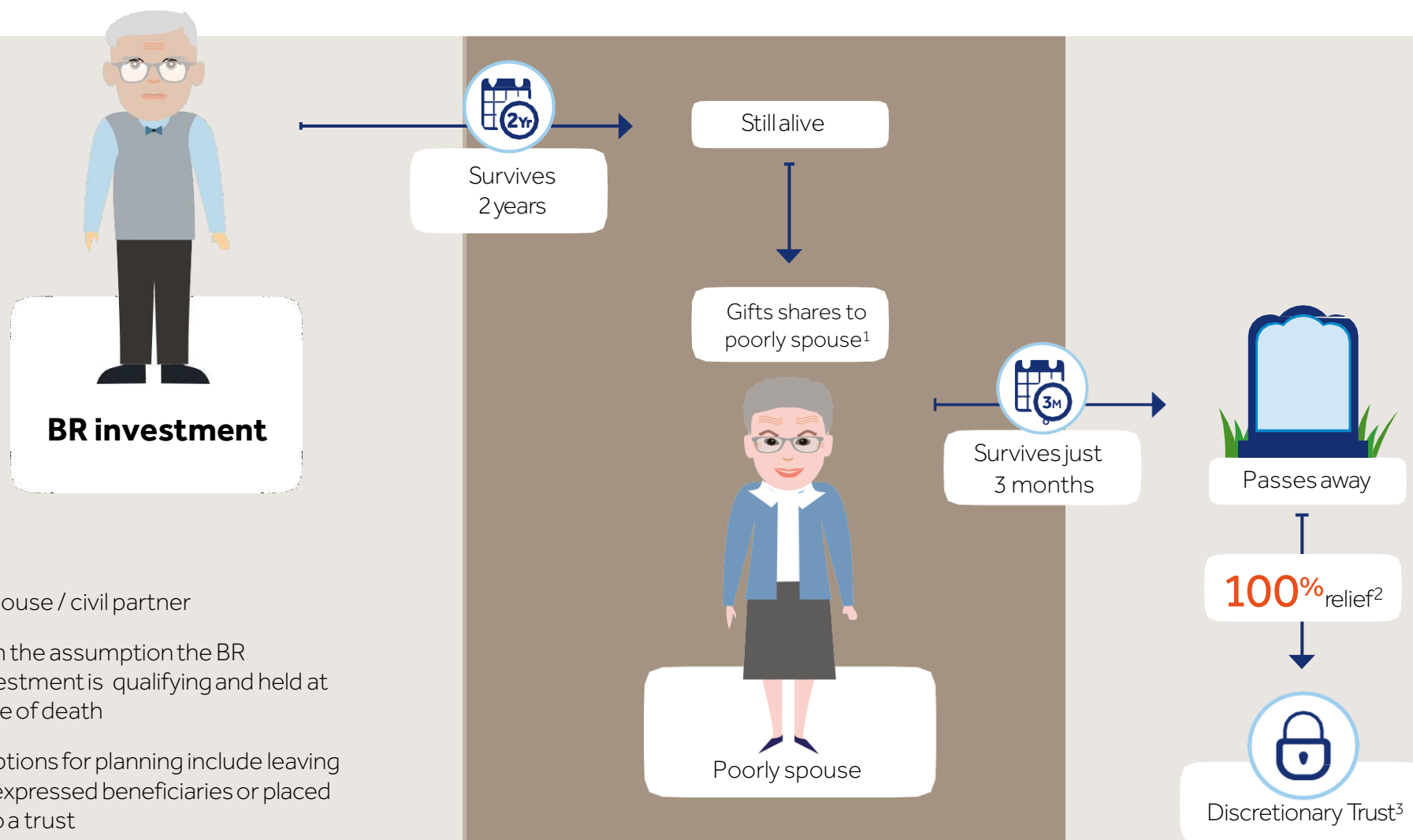
Business Relief Investments



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Lifetime BR transfer to Spouse

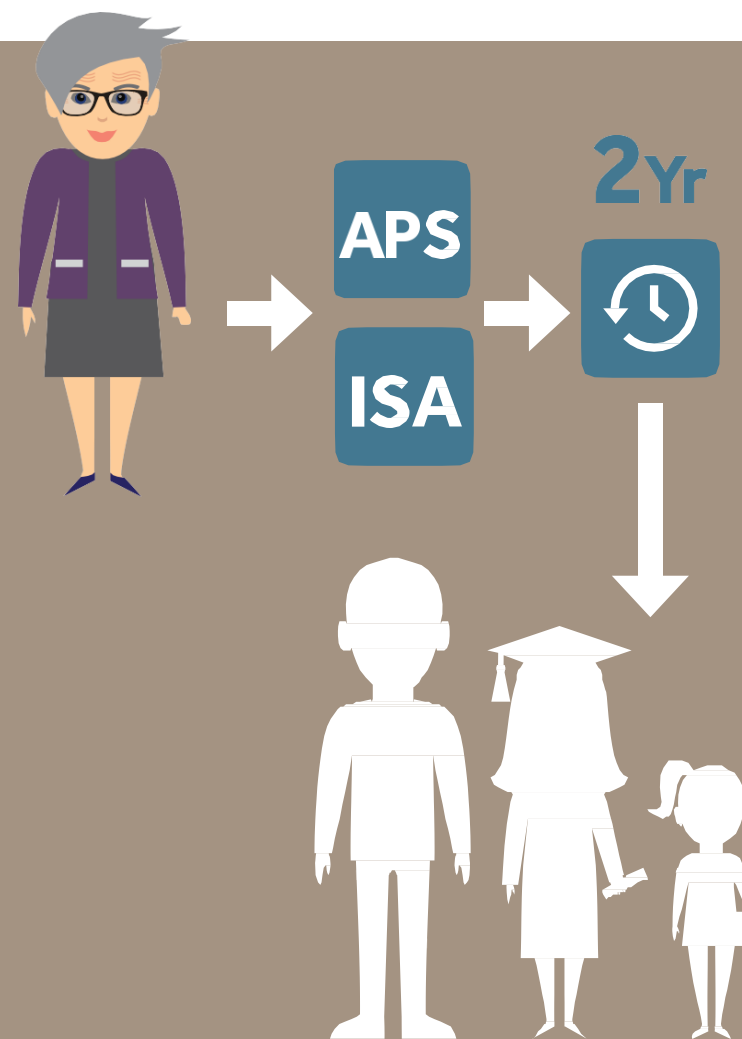
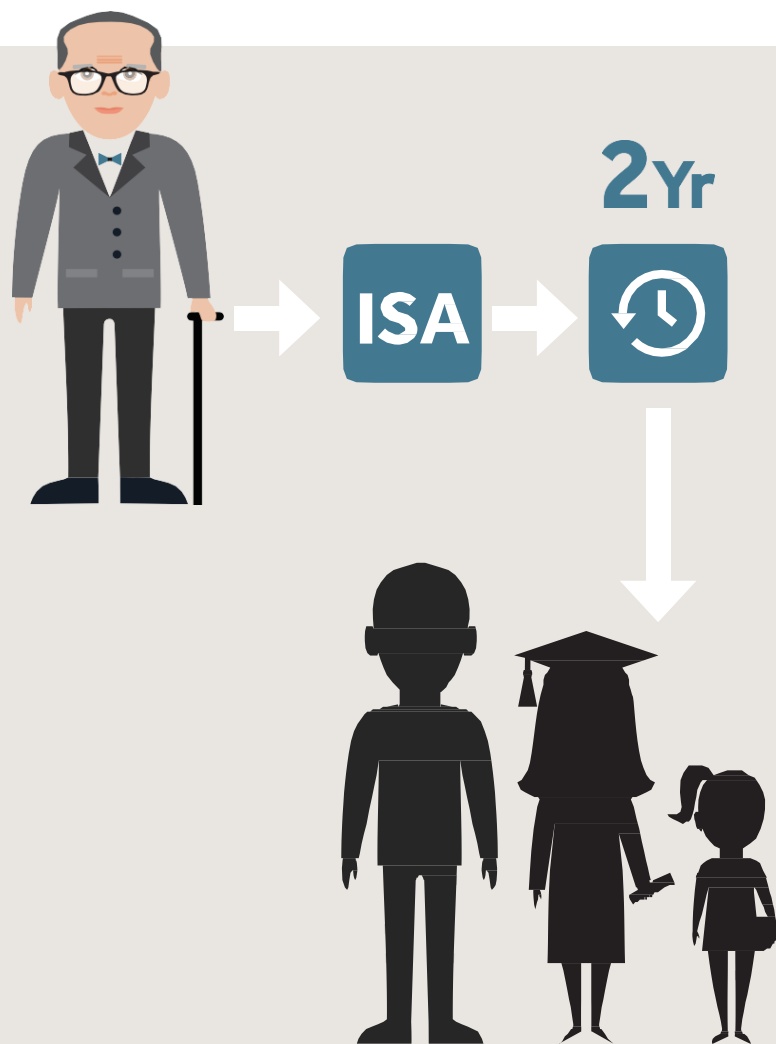


¹Spouse / civil partner

²On the assumption the BR investment is qualifying and held at time of death

³Options for planning include leaving to expressed beneficiaries or placed into a trust

Using additional permitted subscription (APS) with an AIM ISA



Summary



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- Recognise the potential for including tax efficient investments within clients portfolios
- Identify where a VCT, EIS or BR investment could benefit your clients
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About Puma Investments



PUMA INVESTMENTS

GROWTH FUNDING



£2m to £10m



Long-term view



Sector agnostic

PROPERTY FINANCE



Development Loan



Pre-Development Bridge



Development Exit Loan

QUOTED EQUITIES



AIM IHT



Small and mid cap



Award-winning team

PART OF SHORE CAPITAL



YEAR HISTORY
ESTABLISHED 1985



£1bn+
UNDER MANAGEMENT



3RD
LARGEST MARKET MAKER ON AIM BY NUMBER OF STOCKS



£8.3bn+
RAISED BY CORPORATE FINANCE SINCE JAN 2014

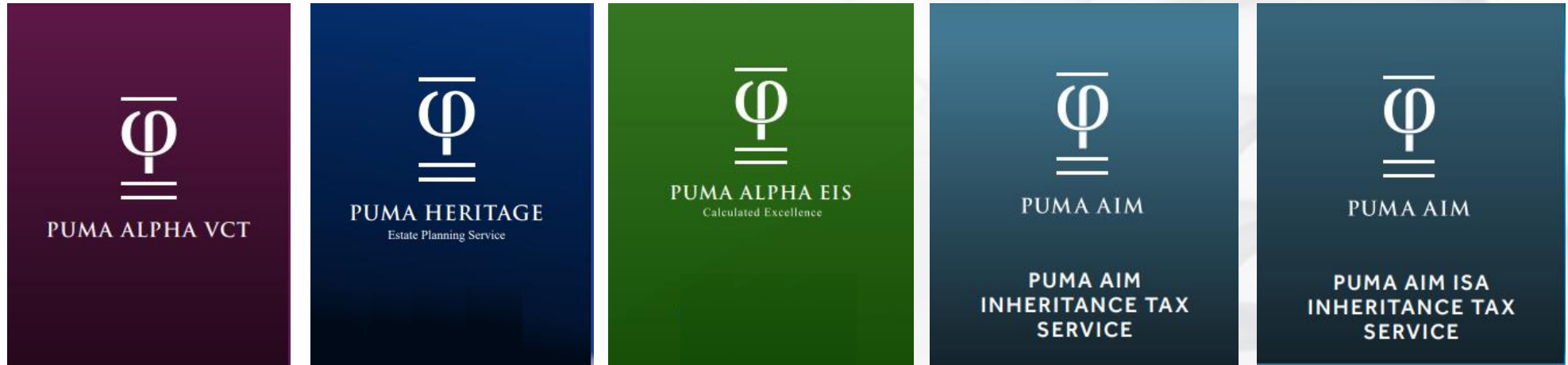


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Award winning



Our products





Any questions?

For further information, please contact:



PUMA INVESTMENTS
Calculated Excellence

Cassini House
57 St James's Street
London SW1A 1LD

Advisor Enquiries: 020 7408 4070

Investor Enquiries: 020 7408 4100

investorsupport@pumainvestments.co.uk
advisersupport@pumainvestments.co.uk

www.pumainvestments.co.uk

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