

# Tax Position of Individual Investors

This section highlights the tax reliefs available to individual investors and the methods for claiming such tax reliefs.

## 1. Tax reliefs for individual investors resident in the UK

Investors, aged 18 or over, qualify for the tax reliefs detailed below. Tax reliefs will only be given to the extent that an individual's total investments in venture capital trusts ("VCTs") in any tax year do not exceed the qualifying limit, which is currently £200,000.

### Relief from income tax

An investor subscribing for new ordinary shares in a VCT during a tax year is entitled to claim income tax relief of up to 30 per cent on amounts subscribed up to a maximum of £200,000. Relief is limited to the amount which reduces the investor's income tax liability to nil. This relief must be repaid should the shares be sold or otherwise disposed of within five years.

An investor who subscribes for, or acquires up to, the maximum of £200,000 in ordinary shares in any given tax year will not be liable to UK income tax on dividends paid by the VCT, which may include capital gains realised by the VCT.

### Relief from capital gains tax

A disposal by an investor of ordinary shares (whether acquired by subscription for new shares or subsequent acquisition) in a VCT will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. This relief is limited to disposals of ordinary shares acquired within the limit, currently £200,000, for any tax year.

On the death of an investor or a spouse who has acquired VCT shares within marriage, no deferred capital gains tax or income tax will become payable by either the investor, their spouse or anyone inheriting the VCT shares.

### Shares acquired other than by subscription (i.e. existing shares)

An investor who acquires up to the permitted maximum of £200,000 in value of ordinary shares in a VCT in any tax year will be exempt from income tax on dividends from the VCT, which may include capital gains realised from investments made by the VCT, and capital gains on the disposal of shares in the VCT. The permitted maximum of £200,000 is the total of VCT shares subscribed for (new shares) and acquired (existing shares) in the tax year. A loss on disposal of shares within the permitted maximum is not an allowable loss.

## 2. Obtaining tax reliefs

Claims for income tax relief on amounts subscribed for new ordinary shares

A VCT will give each investor a certificate which the investor uses to claim income tax relief, either immediately by obtaining an adjustment to their tax coding from HM Revenue & Customs or by waiting until the end of the tax year and using their tax return to claim relief.

## 3. Investors who are not resident in the UK

Such investors should seek their own professional advice as to the consequences of making an investment in a VCT as they may be subject to tax in other jurisdictions as well as in the UK.

This is a summary only of the law concerning the tax position of individual investors in VCTs. Any potential investor in doubt as to the taxation consequences of investment in a VCT should consult a professional adviser.

### Risk warnings

Past performance is not a guide to future performance. You should be aware that the value of shares and the income from them may go down as well as up and that you may get back less than the amount you invested. Existing tax levels and reliefs may change and the value of reliefs depends on personal circumstances; in particular, reliefs may be lost on ceasing to be a UK resident. An investment in a VCT carries a higher risk than many other forms of investment. A VCT's shares, although listed, are likely to be illiquid. Prospective investors should regard an investment in a VCT as a long term investment, particularly as regards a VCT's investment objective and policy and the period for which shareholders must hold their shares in order to retain their income tax reliefs. The investments made by VCTs will normally be in companies whose securities are not publicly traded or freely marketable and may, therefore, be difficult to realise and investments in such companies carry substantially higher risk than those in larger companies.

The tax reliefs are dependent on the VCT obtaining unconditional approval from HM Revenue & Customs. Reliefs will be given during a period when provisional approval only is in force but, if provisional approval is withdrawn, all tax reliefs will be cancelled with retrospective effect. If unconditional approval is withdrawn, any tax reliefs are no longer available and substantial tax liabilities can be expected to be incurred by shareholders and the VCT.

Potential investors are strongly urged to seek independent professional advice when considering investment in a VCT.