

TAX EFFICIENT INVESTMENTS

The information in this fact sheet is necessarily of a general nature, and we strongly recommend that you consult with us before taking any action.

Individual Savings Accounts (ISAs)

ISAs have taken over from TESSAs and PEPs. They are available from banks, building societies and a variety of other providers. The maximum annual deposit is £7,200 overall, of which no more than £3,600 can be in cash

Enterprise Investment Scheme (EIS)

Income tax relief is obtainable at 20% in respect of amounts of up to £500,000 a year subscribed for ordinary shares in certain unquoted companies. In addition, capital gains tax deferral relief is available on such investments at up to 40%. There is no limit on the amount of gain which may be deferred.

Gains on the disposal of shares are exempt from capital gains tax after three years although the original deferred gain will then be chargeable; losses are relievably against either income or capital gains if the shares are disposed of at a loss.

It is essential to obtain further information and detailed advice before making an investment of this type because there is an element of risk in investing in shares.

Venture Capital Trusts (VCTs)

Individuals investing up to £400,000 a year in VCTs will be exempt from tax on resulting dividends and on capital gains when they dispose of shares.

Individuals who subscribe for new ordinary shares in VCTs will, in addition, be entitled to income tax relief at 40% on up to £400,000 in any tax year, provided the shares are held for at least three years. Capital gains tax deferral relief is available on such investments at up to 40%.

Friendly Society savings policies

Although the extent to which investments may be channelled into these funds is fairly limited, they nevertheless provide a modest level of tax-efficient investment.

National Savings

- ?? *Savings certificates*. The maximum holding of these certificates should be considered by all top ratepayers because the tax free yield often compounds to a very competitive level.
- ?? *Income and capital bonds*. Interest is liable to income tax, but paid gross. Income bonds pay interest (variable) monthly. On capital bonds, the interest (guaranteed for five years) is added to the capital annually. Income bonds are repayable on three months notice; capital bonds may be repaid without notice.
- ?? *Children's bonus bond*. These may be bought by anyone over sixteen for individuals under 16. Interest is guaranteed for five years at a time until the holder is twenty-one. The bonds are totally tax free, which is an important feature for parents (normally parents are liable to tax on interest over £100 on gifts to their children).
- ?? *First option bonds*. Interest is guaranteed for a year from the date of purchase, after which time the holder has the option of selling or continuing to hold at the new guaranteed rate. Interest is paid after deduction of basic rate tax. A bonus is paid on amounts of £20,000 or more.

Please contact us if you would like more help or advice in this area.

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