INTEGRITY

PART OF BROOKS MACDONALD

VENTURE CAPITAL TRUSTS

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What is a Venture Capital Trust (VCT)?

A VCT is a tax-efficient investment company listed on the London Stock Exchange. VCTs were introduced by the Government in 1995 to stimulate investment in smaller UK companies with billions now invested.

Investors are rewarded with income tax relief and tax-free dividends.

There Are Two Types of VCT...

Feature	Specialist VCT	Generalist VCT
Risks	Potentially higher risk as there is no sector diversification	Spread across sectors or specialised
Income Tax Relief	✓	✓
Tax-free Growth	✓	✓
Tax-free Income	✓	✓
Dividend Reinvestment	✓	✓
Portfolio	Focused on one sector	Diversified

Tax Reliefs

Income Tax Relief

- You are eligible for 30% Income Tax Relief on your investment provided that you hold the investment for five years
- The amount of relief you can claim is restricted to the level of your annual income tax liability with the maximum relief you can claim in any single tax year being £60,000 from a maximum subscription of £200,000 per tax year
- Income tax relief can be used against all forms of income tax paid, including dividends and rental income

Tax-free Growth

- Capital Gains Tax does not apply to any capital growth in the value of your VCT investment

Tax-free Income

- Dividends paid by your VCT are tax-free

Additional Benefits

Growth Potential

Help smaller companies to generate wealth and contribute to the UK's economic growth. Smaller UK businesses can offer more potential for substantial long-term growth if they are successful.

Diversifying Your Portfolio

Smaller unquoted companies typically follow different investment cycles from other parts of the market, so a VCT can bring extra diversification to your investment portfolio.

Investment Opportunities

VCTs are considered a higher risk investment; however, portfolios will differ in their investment focus.

Investment Protection

VCTs are public companies listed on the LSE. They abide by regulatory and governance standards offering greater protections than other tax efficient investment schemes such as Enterprise Investment Schemes (EISs).

A Different Type of Long Term Investment

Complement your pension and ISA portfolio with a tax-efficient investment with a generous annual contribution of £200k.

The Rules

Managers will be required to invest
at least 30% of funds raised in qualifying holdings within 12 months after the end of the accounting period.

Investment by a VCT in any one company may
be up to £5 million, but this investment cannot make up more than 15% of the VCT's total assets.

A minimum of 80% of the VCT's assets must
be "qualifying" holdings - unquoted companies, or those whose shares are traded on theAlternative Investment Market (AIM) and that are permanent establishments in the UK. The balance can be invested into areas such as government securities, gilts and blue-chip shares*.

The VCT company in which an investor places their money must
be listed on the London Stock Exchange (LSE).

A qualifying VCT company must
remain within those qualification boundaries for the duration of the investment. A loss of qualifying status by the VCT would result in investors having to repay tax reliefs obtained.

The gross assets of investee companies must not
exceed £15 million at the time of investment.

Investee companies must not
have more than 250 employees.

For any new investments
there is an investment cap of £12 million (£20 million for 'knowledge intensive' businesses who may also have up to 499 employees).

For any new investment
managers are no longer able to finance Management Buy-Outs or Acquisitions.

For all new investment
a qualifying company must be no more than 12 years old, unless the fundraise will fundamentally change the business activity and must have made their first commercial sale within the last seven years.

For all new investments
knowledge intensive companies must have made the first commercial sale or reached turnover of £200,000 in the last 10 years.

***As of April 2019**

The Risks

Tax rules
are subject to change.

If you sell your shares early
you will lose the income tax relief.

Investing in small companies is inherently risky.
These companies may not perform as hoped and in some circumstances may fail completely.

Your capital is at risk;
you may not get back as much as you put in.

VCTs should be considered longer term investments
VCTs should be considered longer term investments
and may be higher risk and more difficult to realise than other securities listed on the London Stock Exchange.

The secondary market for shares in VCTs
is limited and as a result the shares usually trade at a discount to net asset value.

Who could benefit from VCT investing?

A client who:

would like some exposure/diversification
to venture capital investments in their portfolio.

has a medium to long term investment horizon
and accepts the increased risk profile.

wants to reduce
their income tax liability.

has a fully funded pension
or is close to the lifetime allowance.

would like to generate a
tax-efficient income.

would like to withdraw excess cash
held in a business.

holds cash
and is looking for a better rate of return.

is a landlord
interested in offsetting tax on rental income.

is an investment bond holder
who wants to exit, but is worried about facing a tax charge on encashment.

Notes:

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