Nova Cofoundery SEIS & EIS Fund

Case Study: *Income & Capital Gain Tax*

Scenario

Mr Smith is a partner in a law firm and earns £350,000 per year, resulting in a significant income tax liability each year. This year he has realised a capital gain of £200,000 from the sale of a property. Mr Smith has net wealth that can support investment regarded as higher risk.

Problem

Mr Smith would like to reduce both his Income Tax and Capital Gains Tax liability, while investing in a product that also benefits from long term tax free growth.

Potential Solution

Mr Smith invests £200,000 in the Nova Cofoundery SEIS and EIS Fund. The investment is split with £100,000 invested in SEIS qualifying investments and £100,000 into EIS qualifying investments. Mr Smith benefits from:

- £80,000 of Income Tax relief
- £14,000 of Capital Gains Tax relief
- £28,000 of Capital Gains Tax is deferred (and can continue to be deferred until death at which point the deferred CGT liability would cease)
- So long as Mr Smith holds the assets for a minimum of 2 years and still hold the assets on death, then it is exempt from Inheritance Tax
- So long as Mr Smith holds the assets for a minimum of 3 years, gains on the portfolio are exempt from Capital Gains Tax
- Potential loss relief available: £47,700 (assuming 45% tax rate)
- Total capital at risk: £58,300

Fees Charged to the Investor

There are no management charges levied on the investor at the point of investment for advised subscriptions received by a financial adviser, resulting in up to 100% tax efficient allocation of subscription. Nova fees are paid by the Investee Companies and are disclosed in the product Information Memorandum. Nova does charge a performance fee: of 20% of cash returned, in excess of 150% of the funds invested.

	No Investment	Investing as Described in this Case Study
Potential Investment	£200,000	£200,000
Income Tax Relief	£0	£80,000
Capital Gains Tax Relief	£0	£14,000
Expected Yield (20% Annual Growth)	£0	£136,000
Net Value on Exit	**£200,000**	**£430,000**

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