Don't invest unless you're prepared to lose all the money you invest. This is a high-risk investment and you are unlikely to be protected if something goes wrong. Take 2 minutes to learn more on page 10

A GUIDE FROM BLACKFINCH

Claiming Income Tax Relief on EIS and VCT Investments

BLACKFINCH

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Income Tax relief is a valuable incentive for clients considering **Enterprise Investment Scheme (EIS)** or **Venture Capital Trust (VCT)** investments. Both are government-approved schemes designed to encourage investment into early-stage businesses by offering tax advantages.

This guide is designed to help you and your clients understand how these schemes work, how to benefit from the available reliefs, and how to make a claim—whether employed, self-employed or a company director.

Understanding the Income Tax Relief offered by EIS and VCTs

Tax reliefs are one of the key attractions of EIS and VCT investments. Both schemes allow investors to claim up to 30% income tax relief against the liability in the current year of investment.

EIS:

Up to £1 million can be invested each tax year to claim Income Tax relief. A further £1 million can be invested and backdated to the previous tax year if there is remaining allowance without needing to have made an investment in the current year.

VCT:

Income Tax relief is available on investments up to £200,000 per tax year.

TO QUALIFY:

- EIS shares must be held for at least 3 years.
- VCT shares must be held for at least 5 years.

If these conditions are met, investors can reduce their Income Tax bill by up to 30% of the amount invested.

Additional Benefits of EIS and VCTs

Alongside Income Tax relief, EIS and VCT investments come with added tax advantages:

EIS

Capital Gains Tax (CGT) exemption on gains made from the EIS shares, provided Income Tax relief has been claimed. Subject to holding the shares for a minimum of three years.

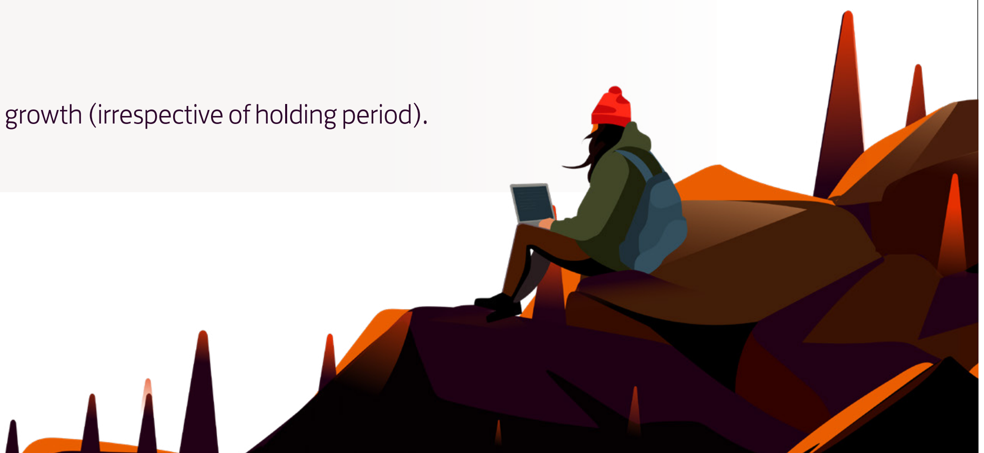
Loss relief if the shares are sold at a loss net of Income Tax Relief.

Up to 100% Inheritance Tax (IHT) exemption after two years through Business Relief.

VCT

Tax free dividends.

Tax free growth (irrespective of holding period).



How to Claim Income Tax Relief

If You're Employed (PAYE)

Claiming EIS or VCT Income Tax relief is straightforward:

- Wait for your EIS3 or VCT certificate—issued by the company or VCT manager after shares are allotted.
- Download and complete the EIS section of the SA101 form or VCT section of the SA101 form.
- Submit this with your Self-Assessment tax return.
- Alternatively, if you don't usually file a return, write to HMRC with the certificate and request that your tax code be adjusted. This can reduce your tax bill over the rest of the tax year.

If You're Self-Employed

- Submit your claim as part of your Self-Assessment tax return.
- Include the relevant information from your EIS3 or VCT6 certificate under the 'Other tax reliefs' section.
- HMRC will deduct the relief from your income tax liability for that year.

If You're a Company Director

- You follow the same steps as a self-employed individual.
- It's important to ensure you are not "connected" to the company in a disqualifying way (e.g. owning too many shares or being an employee rather than a director). Speak to your adviser if in doubt.

Key Documents and Links

Below, you'll find a selection of important forms and guides to assist you in your tax relief claims:

- **Self Assessment: Additional Information (SA101)**

  A crucial form for providing additional details in your Self Assessment tax return.

- **Enterprise Investment Scheme – Income Tax Relief (Self Assessment helpsheet HS341)**

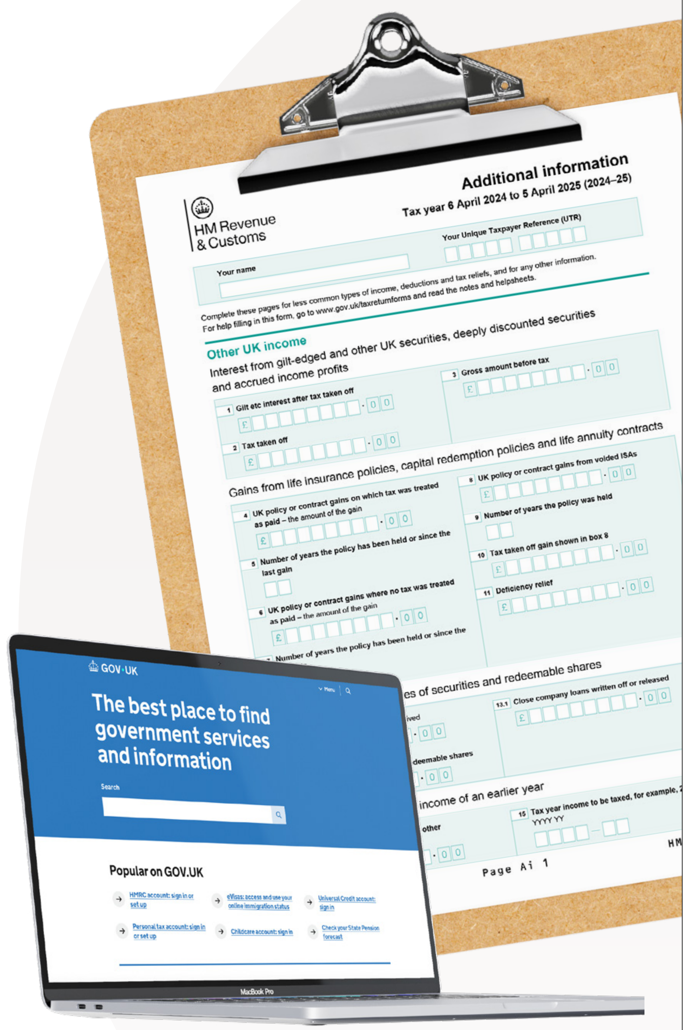
  A comprehensive guide to understanding how to claim tax relief on EIS investments.

- **Tax Relief for Investors Using Venture Capital Schemes**

  Detailed guidance on claiming tax relief for investments in VCTs.

These documents will help ensure you meet all the necessary requirements for claiming your tax relief and make the process as straightforward as possible.

For further information and access to relevant resources, visit [www.gov.uk.](www.gov.uk)



Self Assessment: Additional Information (SA101)

Enterprise Investment Scheme – Income Tax relief (Self Assessment helpsheet HS341)

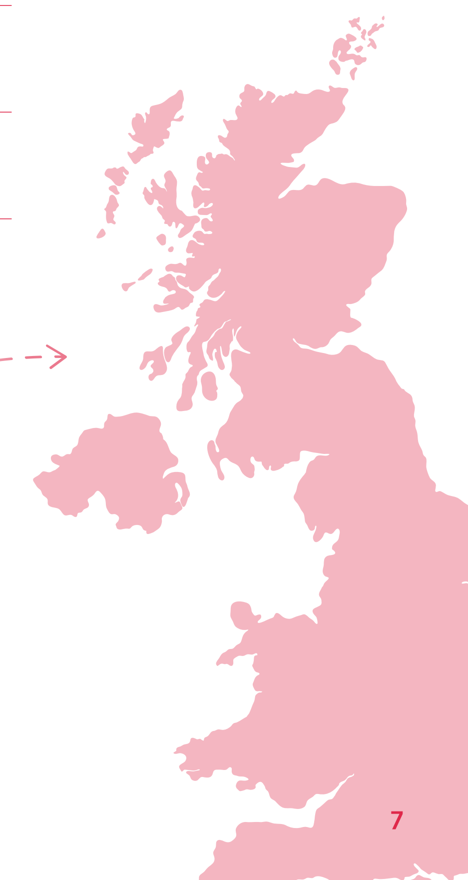
Tax relief for investors using venture capital schemes

Helping Clients Access the Benefits

Income Tax relief can make a significant difference to your clients' overall tax position and financial planning. At Blackfinch, we're committed to supporting advisers in helping clients navigate these opportunities with confidence.

If you'd like tailored guidance, a review of a client case, or support in presenting these options, your regional Business Development Manager is here to help. They can provide:

- Bespoke training for your team or firm
- Technical support on structuring client solutions
- Access to planning scenarios and insight articles



Working with advisers across the UK

To access our full range of support, please contact your BDM. If you're unsure who your local BDM is, visit our website at blackfinch.investments/team or call us on **01452 717070** and we'll be happy to help.

Important Information

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Any decision to invest in this service should be made on the basis of the information contained in the product brochure and the terms and conditions. Prospective investors must rely on their own examination of the legal, taxation, financial and other consequences of investing and the risk involved.

Prospective investors should not treat the contents of this guide as advice relating to legal, taxation or other matters. If they are in any doubt about the proposal discussed in this guide, its suitability, or what action should be taken, they should consult their own professional advisers.

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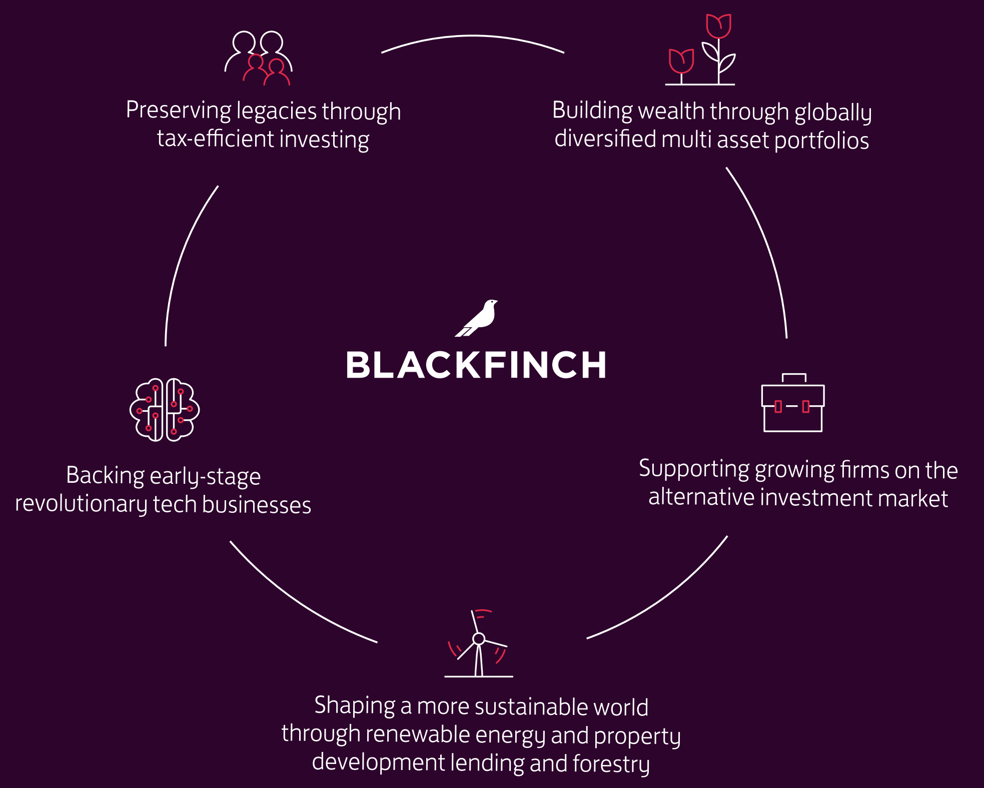
The products detailed in this document may not be suitable for all investors and we would recommend that prospective investors seek independent advice before making an investment decision.

A lifetime investment partner

Blackfinch offers a number of investment solutions, to address a range of client objectives.

No matter where they are in their investment journey, from starting out in building their wealth, through to managing their estate to ensure they pass on as much as possible to the next generation, we are here to help you achieve their goals



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Risks

Due to the potential for losses, the Financial Conduct Authority (FCA) considers this investment to be high risk.

What are the FCA key risks?

1 - You could lose all the money you invest
If the business you invest in fails, you are likely to lose 100% of the money you invested. Most start-up businesses fail.

2 - You are unlikely to be protected if something goes wrong
Protection from the Financial Services Compensation Scheme (FSCS), in relation to claims against failed regulated firms, does not cover poor investment performance. Try the FSCS investment protection checker (https://www.fscs.org.uk/check/investment-protection-checker).

Protection from the Financial Ombudsman Service (FOS) does not cover poor investment performance. If you have a complaint against an FCA-regulated firm, FOS may be able to consider it. Learn more about FOS protection (https://www.financial-ombudsman.org.uk/consumers).

3 - You won't get your money back quickly
Even if the business you invest in is successful, it may take several years to get your money back. You are unlikely to be able to sell your investment early.

The most likely way to get your money back is if the business is bought by another business or lists its shares on an exchange such as the London Stock Exchange.
These events are not common.

If you are investing in a start-up business, you should not expect to get your money back through dividends.
Start-up businesses rarely pay these (https://www.financial-ombudsman.org.uk/consumers).

4 - Don't put all your eggs in one basket
Putting all your money into a single business or type of investment for example, is risky. Spreading your money across different investments makes you less dependent on any one to do well.

A good rule of thumb is not to invest more than 10% of your money in high-risk investments (https://www.fca.org.uk/investsmart/5-questions-ask-you-invest).

5 - The value of your investment can be reduced
The percentage of the business that you own will decrease if the business issues more shares. This could mean that the value of your investment reduces, depending on how much the business grows. Most start-up businesses issue multiple rounds of shares.

These new shares could have additional rights that your shares don't have, such as the right to receive a fixed dividend, which could further reduce your chances of getting a return on your investment.

If you are interested in learning more about how to protect yourself, visit the FCA's website (https://www.fca.org.uk/investsmart).

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