**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 4

CASE STUDY

# *Sheltering CGT Gains After Selling A Business*

***Please note:***

*Benefits of tax-efficient investments are subject to change and personal circumstances.*

*Business Relief rules are changing in April 2026. See the Guide to Business Relief for more information.*

## Setting the Scene

Clients who have sold a business and made a capital gain could face the prospect of a significant Capital Gains Tax (CGT) liability. So, it's understandable that clients will want to take  as much profit from the business as possible, while reducing any CGT bill resulting from the sale.

For this case study, let's consider a hypothetical business owner. John is a married homeowner in his 50s and has owned a technology consultancy business for several years. John accepts an offer to sell the business (valued at £2.5m) which gives him a personal gain of £1.5m.

However, John is aware this will create a CGT liability above the Business Assets Disposal Relief (formerly known as Entrepreneur's Relief) cap of £1m. Business Assets Disposal Relief allows business owners to benefit from a 10% tax rate (increasing to 14% in April 2025) on capital gains if certain conditions are met. With retirement still some way off, and with a high appetite for risk, John is considering making a large investment through the Enterprise Investment Scheme (EIS). He knows that investing in a portfolio of EIS-qualifying companies means he can take advantage of tax benefits including deferring the capital gain that will arise when the business is sold. Through an EIS investment, John will also have the potential for capital growth from investing in higher risk smaller companies.

## A Potential Solution

John discusses his circumstances with his financial adviser, who tells him about the Blackfinch Energy Transition EIS Portfolios and the Blackfinch Ventures EIS Portfolios, which invest in high-growth UK technology companies that operate across several different industries and sectors. John is interested in investing in innovative UK smaller companies with the potential for high growth. His adviser tells him there are other good reasons to invest in, such as:

- Blackfinch targets returns of 3x the initial investment, over a timeframe of four to seven years
- The portfolios are managed by the Blackfinch Ventures team of technology experts and entrepreneurs with experience of building their own businesses
- Spreading investments across a multi-sector portfolio of ten or more firms helps to mitigate the effect of companies that underperform or fail
- Investors can claim up to 30% Income Tax relief on the value of their investment
- EIS tax benefits include CGT deferral where a previous gain (in this example the sale of the business) is invested into EIS shares
- Any further gains are free from CGT assuming full Income Tax relief has been claimed
- The fee structures are competitive, creating further value for investors

John's adviser ensures he understands that the tax benefits available through the EIS are there to mitigate the higher risks associated with investing in early-stage companies.

John tells his adviser that he doesn't want to tie up all of the gains made from the business sale, and he wants to take advantage of the Income Tax relief he can claim. With his adviser, John decides to invest £500,000 in the Blackfinch Ventures EIS Portfolio.

**How to Use an EIS Investment to Defer CGT**

John invests £500,000 in the Blackfinch Ventures EIS Portfolio within three calendar years of making the capital gain from the sale of the business. This means the investment is immediately sheltered from CGT.

John can reclaim Income Tax paid in the tax year the EIS investment is made. Moreover, an EIS investment also allows investors to 'carry back' Income Tax relief to the previous tax year.

As the Blackfinch Ventures EIS Portfolio has a target investment timeframe of four to seven years, John knows he can shelter the gain throughout this time.

As individual companies within the portfolio exit, John can 'roll over' what may be a larger sum into a new EIS portfolio and continue to benefit from CGT deferral as well as the potential to claim further Income Tax relief from the new investment.

In addition, assuming that John held the EIS shares for at least 2 years and at death, the shares would qualify for Business Relief (BR) and would be up to 100% exempt from Inheritance Tax (IHT). At the end of each investment, if John were to re-invest into a new EIS investment, the qualification period for BR would rollover, meaning they would not have to go through the two-year qualification period again.

**Summary**

By investing in the Blackfinch Ventures EIS Portfolio John has managed to shelter £500,000 of capital gains, resulting in deferring a potential CGT bill of £100,000. He has also claimed Income Tax relief of up to £150,000 across the tax year of the EIS investment and the previous tax year.

As a result, John's £500,000 EIS investment has reduced his tax bill by £250,000, and at the same time, John owns shares in a diversified portfolio of innovative UK smaller companies with strong growth potential.

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

Request an illustration, apply online, or get in touch with your local Business Development Manager (BDM) today.

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***IMPORTANT INFORMATION***

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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).