

# Enterprise Investment Scheme

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*The Enterprise Investment Scheme was designed by the Government to provide investors with an incentive to invest in smaller unquoted companies. Unquoted in tax terms covers most AIM and Plus-quoted shares.*

The tax benefits of EIS are only available when new shares are bought. If the existing shares of an EIS-eligible company are bought on the secondary market then none of the tax breaks are available via EIS.

There are five current EIS tax reliefs:

- **Income tax relief** – Provided an EIS qualifying investment is held for no less than three years an individual can reduce their income tax liability by an amount equal to 30% of the amount invested. The minimum subscription is £500 per company and the maximum per investor is £500,000\* per annum. Any individuals who have not used their EIS entitlement in the previous tax year can subscribe for up to £1,000,000\* of EIS qualifying shares in the current tax year and treat £500,000\* as subscribed in the previous year.
- **Capital Gains Tax Deferral Relief** – Tax on gains realised on a different asset can be deferred indefinitely, where disposal of that asset was less than 36 months before the EIS investment is made or less than 12 months after it. Deferral relief is unlimited, in other words, this relief is not limited to investments of £500,000\* per annum.
- **Capital Gains Tax Freedom** – No Capital Gains Tax payable on disposal of shares after three years provided the EIS initial income tax relief was given and not withdrawn on those shares.
- **Loss Relief** – If EIS shares are disposed of at any time at a loss (after taking into account income tax relief), such loss can be offset against the investor's capital gains or income in the year of disposal or the previous year. For gains offset against income tax, the net effect is to limit the investment exposure to 35p in the £1 for a 50% taxpayer if the investor realises a total loss. Alternatively, the losses can be offset against Capital Gains Tax at the prevailing rate of 28%.
- **Inheritance Tax Exemption** – EIS Investments are generally exempt from Inheritance Tax after two years of holding the investment.

Source: CSS Partners Limited - <http://www.csspartners.co.uk/html/eis.html>

\* As an Industrial and Provident Society, the maximum permissible individual share holding in Brendon Energy is £20,000.

For more on the Enterprise Investment Scheme see links provided at: [brendonenergy.org](http://brendonenergy.org)

**Please note Brendon Energy is not able to provide investment advice, tax advice or recommendations to investors.** You may wish to take professional advice as the rules governing the EIS are complex and interrelated with other legislation.