

## WITH THE TAX YEAR END FAST APPROACHING HERE ARE SOME OF THE MAIN ISSUES YOU MAY WANT TO CONSIDER

With the new tax year looming, it makes good financial planning sense for you to check that you have used the limited tax reliefs available to you. For most people this involves simply maximising your **Individual Savings Accounts (ISA)** allowances (£7,000), using your **Capital Gains Tax** allowance (£8,800) and making relevant **Pension** contributions. I mention 'relevant pension contributions' rather than 'maximising' as it is unlikely, for the majority of readers, that you could maximise pension contributions any more – you can now claim tax relief on 100% of earnings (up to £215,000)!

However, it is also important to look at some of the other reliefs afforded to us by HMRC and to make use of them where appropriate.

Venture Capital Trusts (VCTs) were introduced by the Government in April 1995 to encourage private individuals to invest capital in unquoted companies in the UK by offering significant tax incentives to do so. The Government's aim is that the loss of tax revenue will be more than offset by the overall benefit to the economy of encouraging the provision of finance to small companies whose development will boost economic growth and productivity.

VCTs are similar to investment trusts in that they have a corporate structure and a number of underlying holdings. To receive the tax incentives, investors have to subscribe for new shares in the VCT and hold them for a minimum of 5 years. The maximum annual amount that can be invested into VCTs by an individual is currently £200,000 and you can claim 'income tax relief' at the rate of 30% of the amount subscribed. Once you own a VCT, all distributions and capital gains are tax-free.

VCTs are higher-risk investments: not only are the trusts invested in higher risk areas, typically in young, unproven companies, but investors also need to be aware of the poor liquidity in VCT shares (i.e. they can be difficult to sell). However, they also carry with them significant investment potential, especially when managed in the right way.

The four major categories of VCTs are "AIM" Specialists that invest exclusively in stocks listed on the Alternative Investment Market, Private Equity Specialists that invest primarily in private equity opportunities, Industry Specialists that target a particular industry or sector (such as technology or the healthcare industries) or Generalists that invest in a mixture of qualifying investments.

Finally, Enterprise Investment Schemes (EIS) also offer generous tax incentives to invest in qualifying companies including income tax relief and importantly the ability to defer capital gains.

Please contact us if you would like to discuss any tax year-end planning issues.

### AWARD-WINNING iimia Plc MAKES IT TWO IN A ROW

iimia has recently been selected to receive the **Business Achievement award for financial services 2007** from Business Today magazine. Earlier this year iimia was also awarded **The Services to Industry Award 2007** by another leading publication.

*iimia Wealth Management is a trading name of iimia plc (registered in England No. 4274915) and iimia Financial Planning Limited (registered in England No. 5160210) both of which are authorised and regulated by the Financial Services Authority and are subsidiaries of iimia Investment Group plc. Both companies have their registered address at 23 Cathedral Yard, Exeter EX1 1HB. iimia plc is also a Member firm of the London Stock Exchange.*

#### Bournemouth Office

Helting House  
35 Richmond Hill  
Bournemouth BH2 6HT  
t : 01202 446400  
e : simon.eveleigh@iimia.co.uk

#### Edinburgh Office

29 Rutland Square  
Edinburgh EH1 2BW  
t : +44 (0) 131 222 9400  
e : david.parfett@iimia.co.uk

#### Exeter Office

23 Cathedral Yard  
Exeter EX1 1HB  
t : 01392 475900  
e : ian.scott@iimia.co.uk

#### London Office

63 Queen Victoria Street  
London EC4N 4UA  
t : +44 (0) 20 7653 6300  
e : david.parfett@iimia.co.uk

#### Northampton Office

Compton House  
Abington Street  
Northampton NN1 2LR  
t : 01604 541700  
e : karen.mccaffrey@iimia.co.uk

#### Plymouth Office

164 Armada Way  
Plymouth PL1 1LB  
t : 01752 660282  
e : martin.glover@iimia.co.uk

[www.iimia.co.uk](http://www.iimia.co.uk)

