

Investing in

# Aquis Stock Exchange Growth Market

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A tax guide





The Aquis Stock Exchange Growth Market is dedicated to helping entrepreneurial companies achieve their ambitions, and to providing investors with access to a wide range of companies at this pivotal stage in their development.

A key part of this is balancing the flexibility essential to any growing business with the high regulatory standards that help to ensure investor confidence and protection.

Aquis operates two primary markets; the Aquis Main Market for larger, more established businesses admitted to the Official List, and the Aquis Growth Market for SMEs.

This guide outlines the various tax reliefs available to investors in Aquis Growth Market enterprises and the main qualifying criteria that companies and investors are required to meet to take advantage of those reliefs.

Tax reliefs should never be the principal reason for investment of course, and investors should always take professional advice on their own circumstances, but tax is always likely to be a consideration in investment planning and so we welcome the opportunity to make investors aware of the reliefs available to them when investing in Aquis Growth Market companies.

We are grateful to Crowe UK LLP for producing this clear and practical guide.

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# Reliefs Available to Investments in Unquoted Companies

Shares on the Aquis Growth Market are considered ‘not listed’ or ‘unquoted’ for tax purposes.



## Tax Incentives

The tax incentives for investments in unquoted companies are as follows:

- 1 Enterprise Investment Scheme (EIS)
- 2 Venture Capital Trusts (VCTs)
- 3 The Seed Enterprise Investment Scheme (SEIS)
- 4 Capital Gains Tax – Gift Relief/Business Asset Disposal Relief
- 5 Inheritance Tax – Business Property Relief
- 6 Investors Relief

## Share Schemes

The purpose of EIS, VCT and SEIS is to help a company grow its business by raising money. It does this by encouraging individuals to invest in qualifying companies by giving income tax relief on the amount invested.

Notably, the aim of SEIS is to encourage individuals to invest into start-up companies. It complements the existing EIS which will continue to offer tax reliefs to investors in higher risk small companies.

There are a number of tax reliefs associated with EIS, VCT and SEIS investments. Below is a summary of those available:

	EIS	VCT's	SEIS
Income tax relief	30% on the cost of investment.	30% on the cost of their investment (up to £200,000 in new ordinary shares issued by VCTs).  Dividend exemption available for the first £200,000 invested in VCTs in a tax year.	50% on the cost of investment.
Capital Gains Tax Relief	No CGT on any capital gain arising on the disposal.  The loss can be offset against income for the tax year and or preceding tax year.	Capital gain is exempt from CGT (applies to the first £200,000 of VCT shares).  The capital loss is not an allowable capital loss.	No CGT on any capital gain arising on the disposal.  The loss can be offset against income for the tax year and or preceding tax year.
Capital Gains Tax Relief – other assets	Deferral Relief.  Option to defer CGT arising on the disposal of other capital assets, by reinvesting the capital proceeds in subscriptions for new ordinary shares in qualifying EIS companies.	N/A.	Reinvestment Relief  Exempting 50% of the capital gain on the disposal of any assets reinvested into SEIS shares.
Clawback of Income Tax & Capital Gains Tax Relief	EIS shares must be retained for a minimum of three years otherwise, income tax relief will be clawed back and the capital gain arising on the disposal will be chargeable to CGT.  If a loss arises, the income tax relief clawed back will be 30% of the proceeds of the sale of the shares.  If deferral relief had been utilised, the capital gain will come back into charge.	VCT shares must be retained for a minimum of five years otherwise, income tax relief will be clawed back.  If a loss arises, the income tax relief clawed back will be 30% of the proceeds of the sale of the shares.	SEIS shares must be retained for a minimum of three years otherwise, income tax relief will be clawed back and the capital gain arising on the disposal will be chargeable to CGT.  If a loss arises, the income tax relief clawed back will be 50% of the proceeds of the sale of the shares.  If reinvestment relief had been utilised, the capital gain will come back into charge.

## Withdrawal of EIS, VCT, SEIS tax relief

A sunset clause for EIS, VCT and SEIS income tax relief was introduced that ensured that income tax relief would no longer be given to subscriptions made on or after 6 April 2025, unless the legislation were renewed by Treasury Order.

However, in the Autumn Statement on 17 November 2022 it was announced that tax relief under these schemes will be extended beyond 2025.

# Qualifying Investor

In order to benefit from EIS, VCT and SEIS investments and to receive income tax relief and capital gains tax (CGT) relief, the following conditions must be met by the investor:

- They must be a UK tax payer.
- The investor must not be connected with the company as either:
  1. An employee, paid director or partner.
  2. A shareholder with more than 30 per cent of the voting rights, ordinary share capital or rights to assets on winding up.
  3. Someone who is able to control the company.

Tax relief is given as a tax reduction against the overall income tax liability in either the tax year of investment or the preceding tax year, or a combination of both.

In order to receive relief individuals can invest up to:

### EIS

**£1 million** (per tax year) in qualifying EIS companies, or up to **£2 million** (per tax year) in Knowledge Intensive Companies (KICs).

### VCT

**£200,000** (per tax year) in qualifying VCT companies.

### SEIS

Individuals can invest up to **£200,000** in each tax year.



# Enterprise Investment Scheme (EIS)

# Seed Enterprise Investment Scheme (SEIS)

### Income Tax Relief

1. Individuals who subscribe for EIS/SEIS shares in a qualifying company will receive income tax relief at 30% (SEIS 50%) on their cost of investment.
2. For investments in qualifying shares made in a tax year, any part of the investment may be treated as made in the preceding tax year.
3. Individuals are able to reduce their tax liability to zero through utilising EIS/SEIS relief. Therefore, income tax relief is restricted to the income tax liability for the year, if this is lower than 30% (SEIS 50%) of the cost of their investment.

### Capital Gains Tax Relief – Exemption

1. If an individual disposes of their EIS/SEIS shares, there will be no CGT on any capital gain arising on the disposal, if income tax relief was claimed on the initial investment (and has not been withdrawn) and if the shares have been held for three years.
2. The exemption is restricted if the initial relief was not given on the full investment amount.
3. If EIS/SEIS shares are disposed of at a loss, the loss can be offset against income for the tax year in which the loss arises, or the preceding tax year, instead of being utilised as a capital loss.

### Capital Gains Tax Deferral Relief – EIS only

1. Investors may also be able to defer CGT arising on the disposal of other capital assets, by reinvesting the capital proceeds in subscriptions for new ordinary shares in qualifying EIS companies.
2. There are however time limits for utilising CGT EIS deferral relief. The capital gain can arise on the disposal of any chargeable asset. However, the share investment must take place in the period one year before or three years after the disposal of the asset.
3. The capital gain is deferred until the EIS investment is disposed of, or if the investee company ceases to qualify, at which point the deferred gain comes back into charge.

### Capital Gains Tax Reinvestment Relief – SEIS only

CGT reinvestment relief is offered on the disposal of any assets, where the capital gains realised are reinvested into SEIS shares. The relief works by exempting 50% of the capital gain reinvested from CGT.

**Clawback of Income Tax & Capital Gains Tax Relief**

There are a number of conditions that must be met in order for EIS/SEIS relief to be given, and several conditions apply over periods of time. If any of the conditions are breached, income tax relief and CGT relief may be withdrawn.

1. The individual must retain the shares for a minimum of three years. If the shares are disposed of within this time period for a profit, income tax relief originally claimed on the EIS/SEIS investment will be clawed back. In addition, the capital gain arising on the disposal will be chargeable to CGT.
2. If an individual sells their shares at a loss within three years, the income tax relief clawed back will be 30% for EIS and 50% for SEIS of the proceeds of the sale of the shares.

**EIS only**

3. If an individual has deferred a capital gain using CGT deferral relief, and the individual disposes of their EIS shares within three years, the deferred capital gain will come back into charge in the tax year of disposal.

**SEIS only**

4. If an individual has utilised CGT reinvestment relief to exempt up to 50% of a capital gain, and if any of the conditions are breached, the capital gain will come back into charge in the tax year when the shares cease to be eligible as SEIS shares.

**Examples of Income Tax relief, Capital Gains Tax relief/exemption & Capital Gains Tax Deferral in respect of eligible EIS shares:**

**Example 1**

**Disposal of EIS shares at a profit after 3 years from subscription**

An individual subscribes £100,000 for 50,000 EIS shares in September 2022 and sells them in November 2025 for £150,000

	EIS Shares £	Overall Tax Payable £	Non-EIS Shares £	Overall Tax Payable £'000
Cost of investment	100,000		100,000	
<b>Income tax relief (received) in 22/23</b>	<b>(30,000)</b>	(30,000)	0	
Net cost of investment	70,000		100,000	
Proceeds received on disposal	150,000		150,000	
Allowable base cost	(70,000)		(100,000)	
Gross gain/(loss)	80,000	(30,000)	50,000	0
<b>Capital gains tax payable (assume higher or additional rate taxpayer &amp; rates for 22/23 still apply)</b>	<b>0</b>		<b>10,000</b>	10,000
Net profits realised in 25/26	80,000	<b>(30,000)</b>	40,000	<b>10,000</b>

**Example 2**

**Disposal of EIS shares at a profit within 3 years from subscription**

An individual subscribes £100,000 for 50,000 EIS shares in September 2022 and sells them in November 2024 for £150,000

	EIS Shares £	Overall Tax Payable £	Non-EIS Shares £	Overall Tax Payable £'000
Cost of investment	100,000		100,000	
<b>Income tax relief (received) in 22/23</b>	<b>(30,000)</b>	(30,000)	0	
Net cost of investment	70,000		100,000	
Proceeds received on disposal	150,000		150,000	
Allowable base cost	(70,000)			
<b>Income tax relief withdrawn 24/25</b>	<b>(30,000)</b>		(100,000)	
Gross gain/(loss)	50,000	(50,000)	50,000	0
<b>Capital gains tax payable (assume higher or additional rate taxpayer &amp; rates for 22/23 still apply)</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	10,000
<b>Income tax relief withdrawn 24/25</b>	<b>30,000</b>	<b>30,000</b>		
Net profits realised in 24/25	10,000	<b>10,000</b>	40,000	<b>10,000</b>

**Example 3**

**Disposal of EIS shares at a loss within 3 years from subscription**

An individual subscribes £100,000 for 50,000 EIS shares in September 2022 and sells them in November 2024 for £60,000

	EIS Shares £	Overall Tax Payable £	Non-EIS Shares £	Overall Tax Payable £'000
Cost of investment	100,000		100,000	
Income tax relief (received) in 22/23	(30,000)	(30,000)	0	
Net cost of investment	70,000		100,000	
Proceeds received on disposal	60,000		60,000	
Allowable base cost	(70,000)		(100,000)	
<b>Income tax relief withdrawn 24/25 - restricted to 30% of proceeds</b>	<b>(18,000)</b>	<b>18,000</b>		
Gross gain/(loss)	(28,000)	(12,000)	(40,000)	0
Capital gains tax payable (assume higher or additional rate taxpayer & rates for 22/23 still apply)	0		0	
Capital loss	(28,000)	<b>(12,000)</b>	(40,000)	<b>0</b>
<b>Income tax relief withdrawn 24/25 - restricted to 30% of proceeds</b>	<b>18,000</b>			

Qualifying company

The following is a summary of the key conditions that a company must meet to be a qualifying EIS/SEIS company:

To be met throughout the minimum holding period

The minimum holding period refers to the amount of time the investor must hold and retain the shares to retain EIS tax relief.

The minimum holding period is usually three years from the date of the share issue, but, if the qualifying trade commenced later than this, the period is then three years from the date the qualifying trade commenced.

EIS conditions:

1. Qualifying business activity

The company must either be a company carrying out a qualifying trade or the parent of a trading group. To be considered trading, the company cannot derive its income wholly or mainly from making investments. If the company is part of a group, the majority of the group’s activities must be qualifying trades. The qualifying trade can be carried on by the company issuing the shares or at least a 90% controlled subsidiary.

There are several trades which are prohibited or excluded for EIS/SEIS purposes. If a company conducts one of these trades, it will not qualify. Examples of excluded trades include:

- Legal and accountancy services
- Farming and market gardening
- Operating or managing hotels
- Property development
- Financial activities
- Energy generating activities

2. UK permanent establishment

If the issuing company is not UK tax resident the company must have a permanent establishment in the UK.

3. Control & independence

The company must not be under the control of another company or does not have more than 50% of its shares owned by another company. There must not be any arrangements for it to become controlled by another company at the time of the share issue.

4. Qualifying subsidiaries

The company must only have qualifying subsidiaries, i.e. ones in which 50% or more of the shares are owned by the parent or, if a property managing subsidiary, at least 90% of the subsidiary must be owned by the parent.

To be met at the time of issue

5. Unquoted status

At the time the shares are issued, the company must be unquoted and there must not be any arrangements for the company to become quoted, or for the company to become a subsidiary of another quoted company.

6. Financial health

The company must also meet the financial health requirement, meaning when the shares are issued, the company is not in difficulty.

7. Gross assets

The company’s assets must not exceed £15 million before the share issue and must not exceed £16 million immediately after the share issue.

8. Number of employees

In addition, the company must have fewer than 250 full-time equivalent employees at the time the shares are issued.

9. Risk-to-capital

The company must have objectives to develop its trade and grow. There must be no pre-arranged exits, meaning the company must not guarantee the investor any sort of return on his investment and the investor must be taking a bona fide commercial risk

10.Limits on the age of the company

The issuing company can receive investment under EIS as long as it is within seven years of the first commercial sale by the company. If the company has any subsidiaries (former subsidiaries) or businesses that have been acquired, the date of the first commercial sale is the earliest of the group.

Additional/amended company conditions for SEIS

SEIS companies must meet the following requirements:

11. The company must be either an unquoted trading company or the parent of an unquoted trading group which operates through a permanent establishment in the UK.
12. The company must be carrying on a new qualifying trade; i.e. one that commenced within the three years before the investment. The company cannot raise substantial funds from a prohibited or excluded trade (these trades are the same as those outlined under EIS).
13. The company must have or plan to have fewer than 25 full-time employees and gross assets of not more than £350,000 at the time of the SEIS investment.

14. The company cannot have received any prior funding under the EIS or VCTs. However, where a company has issued SEIS shares, it can go on to raise further investment from EIS and/or VCT investors.

15. At the date the company is incorporated, it must not be controlled by another.

Limits on money raised

The issuing company cannot raise more than £5 million in any 12-month period from EIS, SEIS, VCT, Social Investment Tax Relief (SITR) or State Aid approved under the risk finance guidelines.

The issuing company cannot raise more than £12 million from the above sources in its lifetime. This limit includes money received by any subsidiaries, former subsidiaries or businesses acquired.

The amount of all SEIS investment, together with any other de minimis State aid received by the company in the 3 years to the date of the latest SEIS investment must not exceed £250,000. A company can raise more than £250,000 from a share issue but only £250,000 will qualify under the SEIS.

Knowledge-intensive companies (EIS only)

There are different rules for knowledge-intensive companies:

- A longer investment period for the permitted maximum age requirement (10 years instead of seven years) and the ability of the knowledge-intensive company to elect to delay the start of this clock until its turnover reaches £200,000.
- A higher level of lifetime maximum risk finance investment (£20m instead of £12m)
- A higher level of 12-month maximum risk finance investment (£10m instead of £5m)
- A greater permitted limit of full-time equivalent employees (500 instead of 250).

To qualify as a Knowledge-intensive company, the company and any qualifying subsidiaries must, at the time qualifying shares are issued:

- Have fewer than 500 full-time employees and either;
- Be carrying out work to create intellectual property and expect the majority of their business to come from this within 10 years, or
- Have 20% of employees carrying out research for at least 3 years from the date of the investment, and these employees must be in a role that requires a relevant Master’s or higher degree.

Overseas company

Where a company is incorporated or managed and controlled overseas, it will be considered non-UK resident for tax purposes.

The company’s residence status does not impact its eligibility for EIS/SEIS purposes, provided the relevant conditions are met.

It is important to note, however, that the money raised must be issued by a company which has a permanent establishment in the UK.

A company will have a permanent establishment in two cases:

1. There is a fixed place of business through which the business is wholly or partly carried on (i.e. a branch, office, factory), or
2. There is an agent acting on behalf of the company and who habitually exercises their authority to do business on behalf of the company. As long as that agent is not of independent status acting in the ordinary course of their business

Qualifying shares

The shares subscribed for must also meet the following requirements:

1. The shares must be issued to raise money for a qualifying business activity in order to promote business growth and development.
2. The shares must be ordinary shares which do not carry preferential rights to assets on winding up or preferential rights to dividends.
3. The shares must be issued and subscribed for, for genuine commercial reasons and not for tax avoidance schemes or arrangements.
4. Once the company has raised share capital from its investors, the cash raised must be used for a qualifying business activity (i.e. a trading purpose) within 2 years of the date of issue (3 years for SEIS).

After you have issued shares

To allow your investors to claim Enterprise Investment Scheme tax reliefs you must first submit a compliance statement to HMRC for the shares issued.

You can submit a compliance statement if you are:

- the company secretary
- a director
- an agent

For more information go to <https://www.gov.uk/guidance/venture-capital-schemes-apply-for-the-enterprise-investment-scheme>



# 2 Venture Capital Trusts (VCTS)

## Income Tax Relief

1. Individuals who purchase or subscribe for VCT shares in a qualifying company will receive income tax relief at 30% on the cost of their investment (up to £200,000 in new ordinary shares issued by VCTs) in the tax year in which the subscription is made.
2. The VCT shares must be held for five years, otherwise income tax relief is withdrawn.
3. Individuals are able to reduce their income tax liability to zero through utilising VCT relief. Therefore, income tax relief is restricted to the income tax liability for the year, if this is lower than 30% of the cost of their investment.
4. There is an exemption from income tax on any dividends paid in relation to the investor's VCT shares. However, this exemption only extends to the first £200,000 invested in VCTs in a tax year.

## Capital Gains Tax Relief – Exemption

1. If an individual disposes of their VCT shares at a profit, the capital gain is exempt from CGT. The ownership period here is irrelevant and the company must be a qualifying VCT company both when the individual acquired the shares and when they disposed of them.
2. If an individual disposes of their VCT shares at a loss, the capital loss is not an allowable capital loss as VCT shares are exempt assets for CGT purposes.
3. However, the above exemptions only apply to the first £200,000 of VCT shares acquired in any given tax year. Any shares acquired in excess of this threshold are chargeable assets for CGT purposes.

## Clawback of Income Tax & Capital Gains Tax Relief

1. The individual must retain the VCT shares for a minimum of five years. If the shares are disposed of within this time period for a profit, income tax relief will be clawed back.
2. If an individual sells their shares at a loss within five years, the income tax relief clawed back will be 30% of the proceeds of the sale of the shares.

## Qualifying Company

To be approved as a VCT, a company must not be a close company and must satisfy the following conditions for the most recent complete accounting period:

### 1. Listing condition

The company is an investment company of which the ordinary share capital has been or will be admitted to trading on a regulated market in accordance with Directive 2004/39/EC of the European Parliament. Please note that while the Aquis Growth Market is not a regulated market for the purposes of the VCT listing condition, the shares held in companies admitted to the Aquis Growth Market can be invested in a qualifying VCT.

### 2. Nature of income condition

The income of the VCT must be derived wholly or mainly from shares or securities.

### 3. 15% holding condition

A VCT cannot invest more than 15% of its funds in any one company.

### 4. Income retention condition

It must not retain more than 15% of its income derived from shares and securities in that accounting period.

### 5. 80% qualifying holdings condition

At least 80% by value of the VCT's investments were shares in relevant companies (known as qualifying holdings or securities) throughout the accounting period.

### 6. 70% eligible shares condition

At least 70% of the value of the investments comprise holdings in qualifying, eligible shares throughout that accounting period.

### 7. Non-qualifying investments condition

The VCT has not made, and will not make in future, an investment which is neither an investment included in the company's qualifying holdings or an investment which falls within the list of short-term investments used for liquidity management purposes.

### 8. Investment limits condition

The VCT has not made, and will not make in future, an investment which breaches the following permitted investment limit.

The issuing company cannot raise more than £5 million in any 12-month period from EIS, Seed Enterprise Investment Scheme (SEIS), Venture Capital Trusts (VCT), Social Investment Tax Relief (SITR) or State Aid approved under the risk finance guidelines (£10m for knowledge-intensive companies).

The issuing company cannot raise more than £12 million from the above sources in its lifetime (£20m for knowledge-intensive companies). This limit includes money received by any subsidiaries, former subsidiaries or businesses acquired.

### 9. Minimum investment on further issue condition

Where additional shares are issued after the first issue, at least 30% of the funds raised must be invested in qualifying holdings within 12 months of the accounting period in which the shares are issued.

### 10. Permitted age condition

The VCT has not made and will not make in future, an investment in a company which breaches the permitted age requirement, which is that it must be less than seven years old when it receives its first relevant investment (10 years for knowledge-intensive companies).

### 11. No business acquisition condition

The VCT has not made, and will not make in future, an investment in a company which breaches the prohibition of business acquisitions. This means that the VCT cannot invest in a relevant company that goes on to use the money to acquire an existing trade or part of trade.

## Qualifying holding

A qualifying holding refers to the shares held by the VCT in underlying companies.

The form of the investment by the VCT in the underlying companies must satisfy the following conditions:

### 1. Be a security

This includes shares or loan stock as long as they cannot be redeemed/repurchased within five years of issue.

### 2. The maximum qualifying investment requirement

The amount of a holding in a company which is part of the VCT's qualifying holdings is restricted if the amount which the VCT invests in that company within a certain period exceeds an amount termed the maximum qualifying investment. The period in question is the period which commences six months before the date of the issue of that holding or on the previous 6 April, whichever is earlier, and ends with that issue.

The maximum qualifying investment is normally £1m but is reduced if at the time of issue the company invested in, or any of its subsidiaries is, a member of a partnership or a party to a joint venture.

### 3. The no guaranteed loan requirement

The holding in a company will not be part of the VCT's qualifying holdings if there are any arrangements which would guarantee the repayment of the securities by a third party in the event of a default by the company.

### 4. The proportion of eligible shares requirement

At least 10% of the investment must be in eligible shares.

### 5. Purpose of issue

The shares must be issued to raise money for a qualifying business activity in order to promote business growth and development.

### 6. No disqualifying arrangements requirement

This anti-avoidance provision is designed to prevent structures that are primarily set up as a tax mitigation vehicle for investors with little commercial purposes.

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## Relevant company

An investment in a relevant company will only be a qualifying holding at a time when all the following conditions are satisfied as regards the relevant company:

Please note the conditions are similar to those identified above in relation to a qualifying EIS company.

### 1. The trading requirement

It must exist wholly for the purposes of carrying on one or more qualifying trades, or it is the parent company and the business of the group does not substantially consist of non-qualifying activities.

### 2. Unquoted status requirement

Shares must be unquoted

### 3. Financial health

The company must also meet the financial health requirement, meaning when the shares are issued, the company is not in difficulty.

### 4. Permanent Establishment

If the Relevant company is not UK tax resident it must have a Permanent Establishment in the UK.

### 5. Control and independence

The relevant company must not control (whether on its own or with any person connected with it) any company which is not a qualifying subsidiary of the relevant company, and there must be no arrangements in place which could result in that happening.

### 6. The gross assets requirement

The gross assets of the company must not exceed £15m before the investment and not exceed £16m after the investment.

### 7. The employee numbers requirement

There is an upper limit on the number of employees the investee company may have at the time the shares are issued. That number must be less than 250 full-time employees including part - time equivalents, unless the company is a knowledge-intensive company in which case the number must be less than 500. If the company is a member of a group, that figure is applied to the group as a whole

### 8. Risk-to-capital

The company must have objectives to develop its trade and grow. There must be no pre-arranged exits, meaning the company must not guarantee the investor any sort of return on his investment and the investor must be taking a bona fide commercial risk.

### 9. Permitted company age

The company must receive its first risk finance investment no later than 7 years after its first commercial sale (10 years for knowledge-intensive companies).

### 10. The amount raised annually requirement

VCTs have the following permitted investment limit:

The issuing company cannot raise more than £5 million in any 12-month period from EIS, Seed Enterprise Investment Scheme (SEIS), Venture Capital Trusts (VCT), Social Investment Tax Relief (SITR) or State Aid approved under the risk finance guidelines (£10m for knowledge-intensive companies).

The issuing company cannot raise more than £12 million from the above sources in its lifetime (£20m for knowledge-intensive companies). This limit includes money received by any subsidiaries, former subsidiaries or businesses acquired.

### 11. The use of the money raise requirement

It must within two years have spent the money raised by the VCT investment wholly for the purposes of the qualifying activity.

## Overseas company

Similar to an EIS, the company's residence status does not impact its eligibility to raise funds from a VCT, provided the other conditions are also met.

# 3 Capital Gains Tax (Gift Relief)

When an individual disposes of a business asset (including shares of an unquoted qualifying trading company listed on the Aquis Stock Exchange), which is conducted other than at arm's length, the capital gain which arises may be held over until the holding is disposed of by the acquirer.

As a result, if gift relief is claimed, the individual disposing of the asset does not pay CGT when they give away the business asset.

## Qualifying Individual

Where an individual is giving away business assets, in order to qualify for gift relief, they must:

1. Be a sole trader or business partner, or have at least 5% voting rights in a company (known as the individual's 'personal company').
2. Use the assets in their business or personal company.

Partial relief can be given if the assets are used only partly in the individual's business.

In order to claim relief, the individual gifting the asset (the donor) must make a joint claim with the individual receiving the asset (the donee), which must be signed by both parties.

## Qualifying company

Where an individual is selling their shares in a company, to qualify for gift relief, the company must meet the following three conditions:

1. The company must not be listed on any recognised stock exchange (ie should be 'unquoted'. Shares on the Aquis Growth Market are considered 'not listed' or 'unquoted' for tax purposes.
2. It must be the individuals' personal company, meaning they hold at least 5% of the voting rights.
3. The company must be trading.

## Overseas company

Provided the overseas company still meets the 3 conditions above, it will be considered qualifying for gift relief purposes.



# 4 Capital Gains Tax (Business Asset Disposal Relief)

Business Asset Disposal Relief is available to individuals disposing of a business asset such as a business, or the sale of shares. Business Asset Disposal Relief reduces the rate of CGT on qualifying gains to 10%.

It can apply for disposals of:

- A sole trader and its assets
- Partnership interests and assets
- Shares in your own company
- Joint venture interests
- Business assets held by a trust

For sale of business to qualify for relief, both of the following must apply for at least 2 years up to the date you sell your business:

- you're a sole trader or business partner
- you've owned the business for at least 2 years

For sale of shares or securities to qualify, both of the following must apply for at least 2 years up to the date you sell your shares:

- you're an employee or office holder of the company (or one in the same group)
- the company's main activities are in trading (rather than non-trading activities like investment) - or it's the holding company of a trading group

There are also other rules depending on whether or not the shares are from an Enterprise Management Incentive (EMI).

## If the shares are from an EMI

You must have both:

- bought the shares after 5 April 2013
- been given the option to buy them at least 2 years before selling them

## If the shares are not from an EMI

- The business must be a 'personal company'. This means that you have at least 5% of both the:
  - shares
  - voting rights
- You must also be entitled to at least 5% of either:
  - profits that are available for distribution and assets on winding up the company
  - disposal proceeds if the company is sold

Business Asset Disposal Relief claims can only be made up to a lifetime limit, which is currently £1 million

# 5 Inheritance Tax (Business Property Relief )

Business Property Relief reduces the value of a business or its assets. This is used when working out how much Inheritance Tax (IHT) is due to be paid.

Any ownership of a business, or share of a business is included within an estate for IHT purposes.

Business property relief (BPR) is either given at 100% or 50%, depending on which companies' shares are being sold. Examples of when each relief are given include:

## 100% relief

Where an individual is selling shares in an unquoted trading company.

## 50% relief

Shares in a quoted trading company, where the seller has voting control of the company. For the purposes of BPR, voting control is to have more than 50% of the ordinary shares.

Relief can only be given if the deceased owned the business or its assets for at least two years before they passed away.

# 6 Investors Relief

Investors' Relief is available to an individual and it operates by reducing the amount of Capital Gains Tax on a disposal of shares in a trading company that is not listed on a stock exchange.

The following conditions have to be met to qualify for Investor's relief:

- Shares must be owned for at least 3 years up to the date of disposal
- Not available to anyone who is employed by the company or connected to an employee
- Qualifying capital gains for each individual are subject to a £10m lifetime limit

## Qualifying shares

Conditions for qualifying shares:

- must be ordinary shares in the company
- none of the company's shares are 'listed' on a stock exchange
- you subscribed for them in cash and they were fully paid up when issued
- the company is a trading company or the holding company of a trading group

## Capital gains tax relief

If you're entitled to Investors' Relief, qualifying gains up to the lifetime limit applying at the time you make your disposal, will be charged to CGT at the rate of 10%.

If the qualifying gains together with all previous gains on which Investors' Relief has been claimed, exceed the lifetime limit applying at the time you make your disposal, the whole of the excess will be taxable at the normal rate of CGT at the time your gains accrue.

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