



VENTURE CAPITAL TRUSTS ARE SET TO EXPLODE BACK ONTO THE INVESTMENT STAGE

The state of our public finances is inevitably going to result in a reduction in government spending and tax hikes in the immediate future whichever party wins the election!

Now more than ever therefore it is vital that you maximise the tax saving opportunities that are available to you.

The more obvious savings vehicles including ISAs, Pensions and Offshore investment bonds all must be considered. However, perhaps one vehicle that does not get the attention it deserves is Venture Capital Trusts (VCTs).

Venture Capital Trusts (VCTs)

VCTs are enjoying a renaissance this year as markets rebound and traditional tax shelters come under attack.

VCTs currently offer tax-free capital growth and a 30% tax rebate from a maximum £200,000 investment. They invest in unquoted or Alternative Investment Market (AIM)- listed companies.

Pensions are under attack particularly for higher earners (annual earnings above £150,000). Therefore, investors are seeking somewhere to shelter their income from income tax.

There are currently 31 VCTs open to investors (source Citywire March 2010). The schemes are grouped into three categories: generalists, AIM-traded and those investing in specialist sectors such as technology.

Limited Life VCTs are also proving very popular. This provides the investor with liquidity in knowing when the investment will be realised which greatly reduces the risk of VCT investment.

Investors with an appetite for risk should therefore as part of their overall balanced portfolio be seeking to add VCTs to their holdings.

Looking ahead

The next couple of years will see more changes to the VCT regime. As a result of the latest Budget changes, VCTs which have to date listed only in the UK, will be allowed to list on European stock exchanges, potentially opening up overseas investments.

They will also be required to increase their required holding of eligible shares from 30% to 70%. Currently, eligible shares are part of the company's ordinary share capital, carry no preferential rights to dividends or to the company's assets in a winding up and carry no right to redemption. But that definition is set to be changed. From 6 April, shares which carry preferential rights to dividends will be made eligible.

Added to that, the Treasury will consider increasing the employee limit of companies in which VCTs invest from 50 to 100 or 250, increasing the annual investment limit to £5 million for qualifying companies and raising the limit on gross assets to £15 million.

Despite industry complaints that current regulation is too tight, the popularity of VCTs continues to grow. So long as bank lending continues to retract VCTs are set to remain a popular link between companies in need of development capital and investors looking to secure tax-efficient returns.

Contact us now to discuss VCT opportunities that are currently available – info@henwoodcourt.co.uk .

For further information please call 0845 0551970 or go to www.henwoodcourt.co.uk

