

EISA Example

CGT Freedom

No Capital Gains Tax is payable on disposal of shares three years after subscription for the shares or three years after commencement of trade, if later, provided the EIS initial income tax relief was given and not withdrawn on those shares.

Example

There is no CGT payable on gains in respect of Investments made in an EIS Company (on which EIS Income Tax Relief has been obtained and not withdrawn) where the Investments have been held for at least three years from the date of subscriptions, or from the date of commencement of the EIS Company's trade, if later. Income Tax relief must be granted on shares in order to qualify for CGT Relief.

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| Initial Investment | £100,000 |
| Less income tax relief @ 30% | <u>(£30,000)</u> |
| Net Cash Outlay for Investment | £70,000 |
| Realised Value of investment after 3 years | <u>£160,000</u> |
| Total Gain | £90,000 |
| Tax free profit being gain of £60,000 and income tax relief of £30,000 | |