

EISA Example

CGT Freedom

No Capital Gains Tax is payable on disposal of shares after three years, or three years after commencement of trade, if later, provided the EIS initial income tax relief was given and not withdrawn on those shares.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on gains in respect of Investments made in an EIS Company (on which EIS Income Tax Relief has been obtained and not withdrawn) where the Investments have been held until the later of three years from the date of subscription, or from the date of commencement of the EIS Company's trade. EIS Income Tax relief must be granted on shares in order to qualify for CGT Relief on disposal. If full EIS Income Tax Relief is not retained, then partial CGT Relief on disposal may be available.

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