PUMA INVESTMENTS

PRODUCT CASE STUDY: Puma VCTs

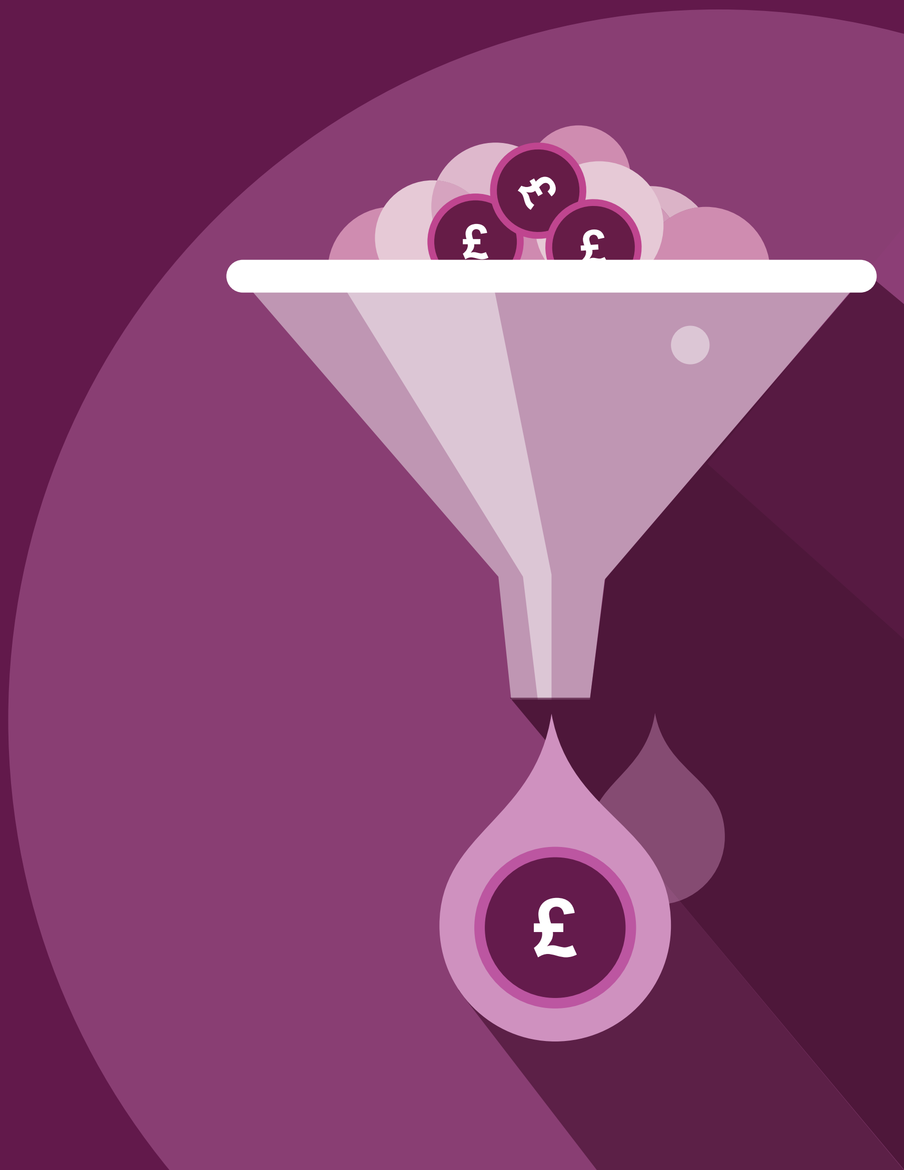
Planning for clients who would like to extract profits from a company tax-efficiently

OVERVIEW

First launched in 1995, Venture Capital Trusts (VCTs) are investment companies that are listed on the London Stock Exchange, specifically designed to provide funding to some of the country's most promising smaller companies.

To encourage support for these businesses, the Government offers generous tax benefits to VCT investors. This also reflects the higher-risk nature of the companies they invest in.

This case study explains how a VCT could be used to extract retained profits from a company in a tax efficient way.



Please note: Tax reliefs depend on individuals' personal circumstances, minimum holding periods and may be subject to change.

THE PROBLEM

Mandi owns and operates a successful IT company. She has built up substantial retained profits within her business and now wishes to extract some of it in a tax-efficient way.

Mandi wants to retain some funds within the business for operational purposes and cashflow management. However, due to her business's success, the amount of surplus cash will allow her to pay a dividend.

Mandi currently pays herself a salary from her business and is a higher rate taxpayer. She is in the fortunate position of being able to decide how to invest her dividend.

THE SOLUTION

Mandi contacts her financial adviser, who conducts a suitability assessment for investing based on her risk profile, attitude towards investing in smaller companies and her target investment time horizon. Given this, her adviser recommends investing in a VCT.

Mandi's financial adviser suggests that she pay herself a £100,000 dividend and invest all of it into a VCT, holding the investment for at least five years.

With a VCT investment Mandi can claim up to 30% income tax relief on investments up to £200,000 in each tax year provided she holds the VCT shares for at least five years. Other tax benefits include tax-free dividends, which could provide an additional source of income, as well as no capital gains tax to pay when she sells the shares.

Mandi can claim the tax refund as soon as she receives her Income Tax certificate from the VCT's share registrar.

THE BENEFITS OF INVESTING IN A VCT

VCTs offer several tax benefits to encourage investment into early stage companies. These tax benefits make VCTs popular amongst people looking to reduce their income tax liabilities.

30%

INCOME TAX RELIEF

Up to 30% Income Tax relief on investments of up to £200,000 provided the investor's tax bill is no greater than the amount of relief they are eligible to reclaim.

TAX FREE DIVIDENDS

Dividends from VCT shares are free from income tax.

NO CAPITAL GAINS TAX

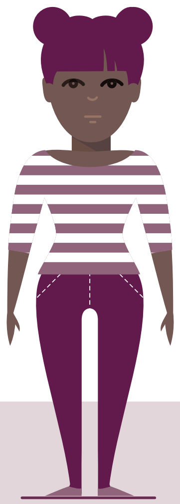
Investors do not have to pay Capital Gains Tax when they sell VCT shares.

VCTs are high risk and should be considered as long-term investments. The value of an investment, and any income from it, can fall or rise. Investors may not get back the full amount they invest. Tax reliefs depend on the VCT maintaining its qualifying status. Income tax relief is available on investments of up to £200,000 per year. VCT shares could fall or rise in value more than other shares listed on the main market of the London Stock Exchange. They may also be harder to sell. Tax reliefs depend on individuals' personal circumstances, a minimum 5 year holding period, and are not guaranteed.

Meet Mandi,
a company owner

Mandi wants to pay herself
£100,000
in dividends

She will have to pay a
32.5%
rate of tax since she is
a higher rate taxpayer



WITHOUT VCT INVESTMENT

£100,000
paid to Mandi

£2,000
annual dividend allowance

£31,850
tax due on dividend

£68,150
net position

WITH VCT INVESTMENT

£100,000
paid to Mandi and invested in a VCT

£2,000
annual dividend allowance

£31,850
tax due on dividend

£30,000
tax rebate

£98,150
net position

VCTs are high risk and should be considered as long-term investments. The value of an investment, and any income from it, can fall or rise. Investors may not get back the full amount they invest. Tax reliefs depend on the VCT maintaining its qualifying status. Income tax relief is available on investments of up to £200,000 per year. VCT shares could fall or rise in value more than other shares listed on the main market of the London Stock Exchange. They may also be harder to sell. Tax reliefs depend on individuals' personal circumstances, a minimum 5 year holding period, and are not guaranteed.

This scenario is for illustrative purposes and assumes no gains or losses on the original investments. In practice, VCT shares, and any income from them, could fall or rise in value more than other shares listed on the main market of the London Stock Exchange. Investors may not get back the full amount they invest, and they may also be harder to sell. VCTs are high risk and should be considered as long-term investments. The adviser will need to consider the eligibility and timings of tax rebates and tax liabilities depicted, and the impact of charges as relevant to the offer represented and/or any specific offer chosen. Tax reliefs depend on the VCT maintaining its qualifying status. Tax relief is available on investments of up to £200,000 per year. Tax reliefs depend on individuals' personal circumstances, minimum holding periods and may be subject to change.

Please don't hesitate to contact us on 020 7408 4070, or advisersupport@pumainvestments.co.uk, or visit www.pumainvestments.co.uk.

Key risks

Tax reliefs: Tax reliefs are not guaranteed, depend on individuals' personal circumstances and a five-year minimum holding period, and may be subject to change.

Liquidity: It is unlikely there will be a liquid market in the ordinary shares of Puma Alpha VCT or Puma VCT 13 and it may prove difficult for investors to realise their investment immediately or in full.

Capital at risk: An investment in Puma Alpha VCT or Puma VCT 13 involves a high degree of risk. You may lose all of some of the capital invested.

General: Past performance of Puma Investments in relation to its other VCTs is no indication of future results. The payment of dividends is not guaranteed. Investors have no direct right of action against Puma Investments.

The Financial Ombudsman Service/the Financial Services Compensation Scheme are not available.

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