

## CASE STUDY

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



**PUMA  
INVESTMENTS**

### 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.

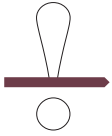
This case study explains how a VCT could be used to extract retained profits from a company in a tax efficient way.

For investment professionals only,  
not to be read as tax advice.



# Meet Mandi

Aged 68



## The problem

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Mandi is the sole owner and operator of 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

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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. Her adviser recommends investing in a VCT.

Mandi's Financial Adviser (having taken into account Mandi's expressed needs of the business for retained funds) 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.



## Mandi wants to pay herself £100,000 in dividends

Given the level of Mandi's other income, all of the dividend will fall above the additional rate threshold meaning she will have to pay **39.35%**.



### Without VCT investment

**£100,000**  
paid to Mandi

**£500**  
annual dividend allowance

**£39,153.25**  
tax due on dividend

**£60,846.75**  
net position

### With VCT investment

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

**£500**  
annual dividend allowance

**£39,153.25**  
tax due on dividend

**£30,000**  
tax rebate

**£90,846.75**  
net position

Should not be read as advice. For illustrative purposes only and assumes no gains or losses on investments. Please remember VCTs are high risk and we always recommend investors seek independent investment and tax advice before considering investment. An adviser will need to consider client suitability and the eligibility and timings of tax reliefs and reclaims depicted, and the impact of charges, as relevant to the offering(s) represented and/or any specific offer chosen. Tax reliefs are not guaranteed, depend on the investors personal circumstances and a five-year minimum holding period, and may be subject to change.

# Get in touch

We're here to help

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Contact us on 020 7408 4070,  
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or visit [www.pumainvestments.co.uk](http://www.pumainvestments.co.uk)

## RISK FACTORS

An investment in Puma Alpha VCT or Puma VCT 13 carries significant risk and you should seek independent financial advice. You should only invest in a Puma VCT on the basis of the Prospectus, which details the risks of the investment. Below is a summary of the key risks:

### 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.

References in this document to Puma Investments includes, where applicable, references to its wider corporate group.

### Capital at risk

An investment in VCTs involves a high degree of risk. Investors' capital may be at risk. There is a possibility you may lose all of your capital invested.

### 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 highly unlikely there will be a liquid market in the ordinary shares of a VCT, and it may prove difficult for investors to realise their investment immediately, in full or at all.

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PI001930-1124