

Extracting Profit From a Business Tax Efficiently

Client Scenario:



Cameron

As an independent consultant, Cameron has set up a limited company, paying himself an £11,500 salary per year which is within his tax-free personal allowance.

He stands to receive a £70,000 dividend of which £5,000 is tax-free (thanks to the dividend allowance introduced in 2016)

The next £28,500 is taxed at 7.5% (£2,137.50) and the remaining £36,500 taxed at 32.5% (£11,862.50)

Cameron is expecting his tax bill to be £14,000

Solution:



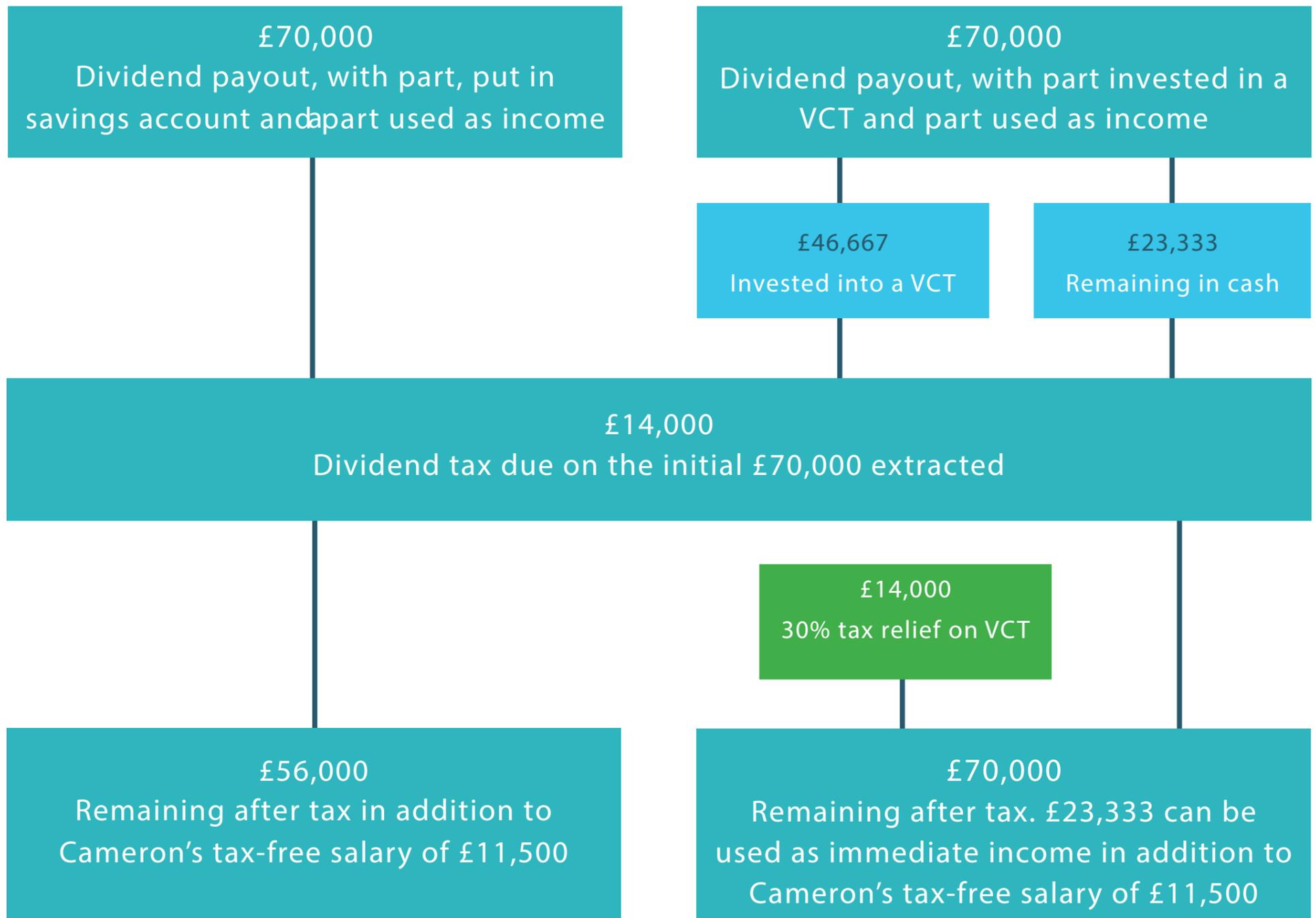
By investing in a VCT, Cameron can claim up to 30% income tax relief on up to £200,000, provided he holds the VCT shares for at least five years.

This will mean the tax payable on the £70,000 dividend payment will be completely offset.

Cameron can benefit from tax-free dividends and no capital gains tax when he sells the shares.



Cameron



Cameron is comfortable living off a net income of £2,903 per month after tax. Investing the rest of his dividend for a minimum of five years in a VCT gives him the ability to increase his net earnings by 26%.

Venture Capital Trusts services are relatively complex products with significant performance and liquidity risks. Your capital is at risk and you may lose some or all of your money invested.

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