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April 2023

| For Experienced Investors

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Preparing your portfolio in the new tax year

What tax changes should investors be aware of?

What will you find in this newsletter?

The need for planning your investments in the 2023/24 tax year

With the Spring Budget having reaffirmed existing tax pressures and the new financial year upon us, we are currently in a period in which tax planning and investment allocations are at the forefront of many discussions - a trend that has been exacerbated in the midst of the UK's highest tax burden since 1949.

As tightening tax rules restrict the level of capital we are able to retain and grow - from income tax band reductions to rapidly shrinking tax-free allowances - understanding the new changes and the routes available to mitigate their erosive impacts should be a growing priority for investors and wealthy individuals.

Ultimately, as inflationary pressures and heightening taxation persist, a lack of tax-efficient strategy in 2023/24 could cost thousands.

What tax changes have been introduced in 2023/24?

As of the 6th April 2023, a number of tax changes have come into play that will directly impact investors.

These include:

45% additional income tax threshold lowered to £125,140

The additional (45%) rate of income tax is currently applicable to income that exceeds £150,000 per year. From 6th April 2023, this figure has decreased to £125,140.

Not only will this mean **an additional 250,000 UK taxpayers** - who previously fell into the 'higher' 40% income tax category - will pay another 5% in income tax, but also that those already paying the 45% rate will have a **greater proportion of their income taxed** at the additional rate.

This change could prove to be particularly erosive for high-net-worth individuals (HNWIs) and experienced investors. For example, an individual with an annual income of £150,000 would pay £1,243 more in income tax in 2023/24 than in 2022/23 through this change alone.

Capital gains tax (CGT) allowance reduced to £6,000

In the 2022/23 tax year the capital gains tax-free allowance was £12,300. As of 2023/24, this allowance has more than halved to £6,000, and is set to be halved once more to £3,000 next April.

At this point it will be at its lowest level since 1981, making the CGT-free allowance a fraction as effective as it once was for investors. With an additional £9,300 of gains liable to the tax by 2024/25, this change alone could lead investors to pay up to an **extra £2,604 in capital gains tax annually**.

Dividends tax allowance decreased to £1,000

In the 2017/18 tax year, the tax-free dividend allowance was £5,000. In 2022/23 it stood at £2,000, in the current 2023/24 tax year it **has been halved to £1,000**, and it is set to halve again to just £500 next April.

This represents a 90% reduction in the allowance over a six-year time span - one of the most drastic of any tax in that same period. With the highest rate of dividends tax standing at 39.35%, this will mean that for the first £5,000 of dividends received per year from next April, investors will be **taxed £1,770 more** than they would have in 2017/18 in dividends tax alone.

Inheritance tax (IHT) nil-rate-band freeze extended to 2028

In the 2023 Autumn Statement the government announced that the IHT nil-rate-band (NRB) would be **frozen at £325,000** until 2028 - two years later than the previously agreed 2026.

With the NRB not having increased since 2009/10, when this freeze is lifted the NRB will not have been adjusted in line with inflation for almost two decades.

Set to earn the government an additional £5.4 billion in IHT (when compared to the previous six-year period), this extension is forecasted to push thousands more individuals into an IHT liable position. For investors and wealthy individuals already liable to pay the 40% IHT tax, this extension will **increase the taxable portion of their estate**.

How can investors minimise the impact of these changes?

Dan Smith
GCV, Investor Relations Director

Whilst investors can utilise a number of tools to plan for the recent tax changes individually - from trusts to pension schemes to ISAs - two powerful tax wrappers exist that can assist in preparing for all of the changes simultaneously are the Enterprise Investment Scheme (EIS) and Seed Enterprise Investment Scheme (SEIS).

Offering investors generous tax reliefs when investing in early stage companies, from 50% income tax relief to inheritance tax exemption, the schemes can support investors in minimsing the risk and maximsing the potential returns associated with venture capital, whilst assisting with wider tax planning strategies.

Enterprise Investment Scheme (EIS)

30% income tax relief

Introduced by the government in 1996 with the goal of connecting ambitious private investors with early stage, high growth companies, since that point the EIS has attracted over £25 billion of investment into more than 36,000 SMEs, in part due to range of tax reliefs it offers investors.

- **30% income tax relief** on the value of an investment of up to £2m (provided conditions are met)
- **Capital gains tax exemption** when shares are sold
- **Capital gains tax deferral** enabling the deferral of existing CGT bills to later years should proceeds be reinvested via the EIS
- **Inheritance tax exemption** enabling shares to be passed on IHT-free
- **Returns upon exit** rather than dividend-focused

Seed Enterprise Investment Scheme (SEIS)

50% income tax relief

Launched in 2012 as a sibling scheme to the EIS, the SEIS encourages investment into especially early stage startups via its stricter eligibility criteria. Whilst this early stage focus brings higher risk (reflected by the scheme's more generous tax incentives) it also ensures companies have particularly high growth potential.

- **50% income tax relief** on the value of an investment up to £200,000
- **Capital gains tax exemption** when shares are sold
- **Capital gains tax reinvestment** enabling the halving of existing CGT bills should proceeds be reinvested via the SEIS
- **Inheritance tax exemption** enabling shares to be passed on IHT-free
- **Returns upon exit** rather than dividend-focused

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What we offer at GCV

At GCV we provide our private investor network of over 700 experienced private investors with access to growth-focused, impact-driven investment opportunities, backed by tax wrappers such as the EIS and SEIS where possible.

Sourced via established industry networks and vetted by the experienced GCV Invest team, we put forward a small number of carefully selected opportunities to our investor network every year, each structured to support investors in building their wealth with alternative investments.

To date GCV has delivered three positive exits, two of which were realised tax-free via the EIS and SEIS, with investors realising returns of up to 75x money-on-money,

Craig Peterson
GCV, COO & Founder

Norm Peterson
GCV, CEO & Founder

Live EIS-eligible investment opportunities

At GCV we currently have three EIS-eligible investment opportunities live and open for investment, spanning the sectors from fintech to advanced manufacturing.

Click to view opportunity

GCV

Sector: Fintech
Target Sought: £ 1,000,000
Min. Investment: £ 5,000
Investment Type: Equity

Click to view opportunity

Business Finance Market, trading as
Finance Nation

Sector: Fintech & Banking
Target Sought: £ 250,000
Min. Investment: £ 1,000
Investment Type: Equity

Click to view opportunity

COREHAUS
MODULAR HOUSING SOLUTIONS

Sector: Advanced Manufacturing
Target Sought: £ 2,000,000
Min. Investment: £ 5,000
Investment Type: Equity

Want to learn more?

If you are interested in learning more about tax efficient investing and the opportunities available with GCV, you can contact our Investor Relations Director, Dan Smith, via the email address below:

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