

Summary of Tax Relief

The 24Haymarket EIS Managed Portfolio Service will primarily invest in companies believed to be eligible for tax relief under the Entrepreneur Investment Scheme (EIS).

A summary of relevant EIS tax reliefs for UK-taxpayers is below:

Income Tax Relief	<p>Individuals may claim income tax relief at a rate of 30% on up to £1m subscribed for shares in any tax year in EIS Qualifying Companies. This limit increases to £2m, provided that any excess over £1m is investment in 'knowledge intensive' companies.</p> <p>Income tax relief is offset against an individual's income tax liability for the tax year in which the EIS shares are issued or by using the 'carry back' allowance, the preceding tax year. (NB some or all of the income tax relief obtained may be withdrawn if, during the "Three Year Period", i.e. the three years ending on the later of the date the shares are issued and the date the qualifying trade commences, the shares are sold or otherwise disposed of, or the Investee Company loses its EIS-qualifying status).</p>
Capital Gains Tax	<p>If the EIS Qualifying Shares are sold after the end of the Three Year Period (and provided that EIS income tax relief has not, in the meantime, been withdrawn), the gains made on the disposal are exempt from Capital Gains Tax.</p>
Deferral of Capital Gains Tax	<p>Tax arising from a capital gain can be deferred by making an EIS investment with the otherwise taxable proceeds. The EIS shares must be issued in the period that begins twelve months before, and ends three years after, the disposal giving rise to the capital gain.</p> <p>The tax liability on the gain is deferred until the EIS Qualifying Shares are disposed of. The amount of Capital Gains Tax that may be deferred in this way is unlimited. (NB deferred tax liability on the gain crystallises if the shares are disposed of or if EIS-qualifying conditions ceases to be satisfied).</p>
Loss Relief	<p>Any capital loss arising on the disposal of shares in EIS Qualifying Companies can be offset against a capital gain incurred in the year of the loss or set against taxable income of the tax year in which the disposal occurs or the previous tax year. Any unrelieved loss can be carried forward to be offset against capital gains in subsequent tax years.</p> <p>The loss that may be claimed for will be net of any income tax relief that has been claimed on the investment that generated the loss. EIS Loss Relief is uncapped (provided EIS income tax relief has not been withdrawn before the disposal).</p>
Inheritance Tax Relief	<p>Although it is not an EIS tax relief, an investment in shares in an EIS Qualifying Company will qualify for up to 100% relief against inheritance tax provided the investment has been held for at least two years and is still held at the time of the Investor's death. There is no upper limit on the amount of relief that may be claimed in this way.</p>

Important Notice: This summary is based on law and HMRC practice as at the date of this Memorandum (both of which may change). Any particular tax treatment will depend upon the individual circumstances of the Investor. The tax reliefs will only be relevant to Investors who pay UK income tax and/or wish to defer a liability to UK capital gains tax and tax advantages can only be claimed when the investor funds are deployed into a company, rather than initial subscription into the Managed Portfolio Service. This summary does not set out any of the rules that must be met by EIS Qualifying Companies and/or an Investor and are intended only as a general summary. This summary should not be construed as constituting advice, which Investors should obtain from their own professional advisors before investing in the Managed Portfolio Service. 24Haymarket does not provide tax advice and recommends you consult with a professional advisor if you are unsure of any aspects of tax treatment of any Investment in the Managed Portfolio Service.

Illustrative Portfolio Returns

The following table sets out a hypothetical and simplified portfolio of £100k invested equally in 10 separate investments purely for the purposes of illustrating returns.

It assumes an illustrative UK taxpayer with a marginal rate of income tax rate of 45% and who has sufficient capital gains to defer.

It further assumes investments 1-3 are fully impaired, 4-5 recover the net cost of shares while investments 6 through 10 generate a gross return of 3x, 3x, 5x, 5x and 10x respectively.

Company	1	2	3	4	5	6	7	8	9	10	Total
Investment in the fund											-£100,000
Fees and charges (1)	-£1,440	-£1,440	-£1,440	-£1,440	-£1,440	-£1,440	-£1,440	-£1,440	-£1,440	-£1,440	-£14,400
Cost of shares	-£8,560	-£8,560	-£8,560	-£8,560	-£8,560	-£8,560	-£8,560	-£8,560	-£8,560	-£8,560	-£85,600
Income tax relief at 30%	£2,568	£2,568	£2,568	£2,568	£2,568	£2,568	£2,568	£2,568	£2,568	£2,568	£25,680
CGT deferral (2)	£1,712	£1,712	£1,712	£1,712	£1,712	£1,712	£1,712	£1,712	£1,712	£1,712	£17,120
Net post-tax cash outflows	-£5,720	-£5,720	-£5,720	-£5,720	-£5,720	-£5,720	-£5,720	-£5,720	-£5,720	-£5,720	-£57,200
Exit Multiple Assumption	0.0x	0.0x	0.0x	1.0x	1.0x	3.0x	3.0x	5.0x	5.0x	10.0x	2.8x
Individual Hold Period	1-3 years	1-3 years	1-3 years	2-4 years	2-4 years	3-5 years	3-5 years	5-7 years	5-7 years	7-9 years	
Gross Exit proceeds	£0	£0	£0	£8,560	£8,560	£25,680	£25,680	£42,800	£42,800	£85,600	£239,680
CGT now due (2)	-£1,712	-£1,712	-£1,712	-£1,712	-£1,712	-£1,712	-£1,712	-£1,712	-£1,712	-£1,712	-£17,120
Capital loss	-£8,560	-£8,560	-£8,560	£0	£0	£0	£0	£0	£0	£0	-£25,680
Maximum value of loss relief (3)	£2,696	£2,696	£2,696	£0	£0	£0	£0	£0	£0	£0	£8,089
CGT on MSP investments (4)	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Net post-tax cash inflows	£984	£984	£984	£6,848	£6,848	£23,968	£23,968	£41,088	£41,088	£83,888	£230,649
Gross gain to investor (5)	-£4,736	-£4,736	-£4,736	£1,128	£1,128	£18,248	£18,248	£35,368	£35,368	£78,168	£173,449
Performance fee (6)											-£33,523
Net Gain to investor											£139,926

(1) One-off upfront fee of 1% plus VAT. Four years at 2% plus VAT followed by three years at 1% plus VAT

(2) Assuming capital gains tax remains payable at 20%, but may be up to 28%

(3) Assumes top rate income tax payer. Losses not relieved against income tax may be relieved against capital gains, in which case the value of capital losses would be at 20% (up to 28%)

(4) Assumes all profitable investments (companies 6 - 10) are held for minimum 3-year qualifying period

(5) The actual post-tax out-turn will vary according to individual investor's personal tax circumstances

(6) On this portfolio, the illustrative investor's gross exit proceeds (£239.7k) exceed the investment in the fund (£100k) by £139,680, resulting in a performance fee (including VAT) of £33,523

Important Notice: The table set out above is intended solely as an illustration of the potential effects of EIS tax relief and is not intended as a guide to possible investment returns. An Investor is at risk of losing the entirety of his or her Subscription. In that event (equivalent to the out-turn for companies 1-3 across the whole portfolio) an Investor who is able to take full advantage of EIS tax relief would stand to recover up to 55.6% of Subscription (assuming loss relief at 45% and total non-offset fees of 9.5% including VAT), or, looked at from another perspective, can cap his maximum post-tax loss at 44.4% of his Subscription. Investors unable to take full advantage of EIS tax reliefs, however, would lose more and an Investor who is unable to take advantage of any EIS tax reliefs could lose the entirety of his Subscription.