

**In This Issue:**

**Enterprise Zone  
Property Investments**

**Venture Capital  
Trusts**

**Pensions**

**Enterprise  
Investment Schemes**

**Individual Savings  
Accounts**

**Residential Property  
Trust**

**Welcome**, I take this opportunity to wish you all a happy and prosperous new year. I hope you enjoy reading this year's first edition of Smart Outlook.

Smart Wealth Management provide a full wealth management service to our private and corporate clients.

We arrange a number of government inspired investment products which can mitigate your tax liability no matter what your level of earnings.

As experienced financial planners, we have sourced a number of interesting and exciting investment opportunities within the UK and abroad to help mitigate tax and/or to build a diversified investment portfolio.

**Sanjay Shah, Partner**

**Enterprise Zone  
Commercial Property  
Investments**



**Would you like to minimize your tax liabilities?  
If so read on...**

Smart Wealth Management LLP in conjunction with Tritax Securities Ltd are writing only to selected clients. We will be releasing details of this year's batch of EZT investments which will become available soon.

**Tax Shelters**

By investing in qualifying buildings in Enterprise Zones ("EZs"), individuals and companies may shelter income or corporation tax. There is no upper limit to the amount of income that may be sheltered by such investments.

**Incentives**

Incentives for investment in EZTs include:

- 100% initial allowance available on qualifying expenditure
- Can be offset against income for current tax year
- A lesser interest can be sold after 7 years without loss of tax benefits



**Benefits of Enterprise Zones**

**Since the early 1980's, EZTs have been created in areas targeted for economic regeneration. EZTs offer significant incentives for occupation and investment including:**

- 100% initial tax allowances on allowable costs
- No business rates during the life of the Enterprise Zone
- Simplified planning regulations
- Availability of a variety of National and European incentive grants for employment generation and capital expenditure.

The Finance Act 1994 introduced changes to possible exits from an Enterprise Zone investment; for this reason clients should view their investments as long term (not less than seven and up to twenty five years).

If you are interested in saving tax in this way, please get in touch with Sanjay by email on [sanjay@smbenefits.com](mailto:sanjay@smbenefits.com) in the first instance. We will then write to you with further information and applications, once we have undertaken and completed our research of the best ones available. Remember, as with all investments, not all EZTs are worthy of inclusion in our best buy lists, and most never make it through our rigorous selection process.



Remember that EZTs are specialized investments and you should only invest once you understand the risks to your capital.

This year's offerings are likely to prove especially popular, so we suggest that you subscribe as soon as possible to avoid disappointment.

**Venture Capital Trusts**

**"Anyone for cash-back on investments?"**

**The Background**

VCTs were introduced by the Conservative Government to encourage investors to invest in the UK's smallest and potentially fastest growing companies, (unquoted trading companies). To help compensate investors for some of the potential risks involves, their investment qualifies for certain valuable tax reliefs.



In the current tax year, income tax credit of 30% is available on subscription, provided the VCT is held for at least 5 years. If you make a £10,000 investment in a VCT for the current tax year, you will be eligible for a £3,000 reduction in your tax bill. The tax relief available and the qualifying investment criteria for investment companies have changed over the years. However, VCTs continue to provide a valuable asset class for addition to an investor's portfolio.

You do not even have to be a higher-rate tax payer to benefit from this tax relief. Basic rate tax payers, (22% tax rate), are also eligible for the 30% rebate.

**The Benefits and Risks**

The benefits include tax free dividends paid on VCT shareholding and CGT-free capital gains made on the sale of VCT shares, (provided shares are held for the minimum holding period).

Although holding stakes in a private firm is risky, Venture Capital Trusts help to diversify this risk. Note that your capital would still be tied up for a number of years in a highly illiquid investment.

VCTs should therefore be thought of as medium to long-term investments. The appropriate time horizon should ideally be over 7 years.

*"With many potential VCT funds open for investment in the market, the key decision should be one of selection."*

**How can Smart Wealth Management help?**



Smart Wealth Management select a small number of VCT's every year after evaluation all the VCT offerings available in the market against our stringent criteria. This ensures that our clients and investors benefit from our investment selection experience and invest in products that offer the best opportunity for positive growth. For more information on our VCT selection for 2006/2007, please contact us for further details.

**PENSIONS**

*"Greater life expectancy means that, for the current generation, retirement could last for more than 30 years, and the cumulative effect of this shift in demographics is a challenge that affects us all."*



- It is a well documented fact that Britain is entering a serious retirement savings crisis
- The current government is encouraging all individuals to make some sort of provision for retirement
- Take benefits from the age of 50 (rising to 55 from 2010)
- A UK resident is eligible to receive relief if he/she makes contributions to a personal pension plan or to his/her employer's occupational scheme
- Annual tax relief at a minimum of 22% on contributions up to £3,600 or 100% of salary, with a limit of £215,000 is allowable for the tax year 2006/2007
- The pension fund itself is tax-exempt, and therefore usually produces better growth
- Individuals now allowed to hold more than one type of pension concurrently
- Lifetime allowance—maximum value of your pension pot for tax-privileged saving. In 2006/2007 this has been set at £1.5m, rising to £1.8m in 2010/2011

Following A Day, the complex rules and regulations that were previously seen as barriers to investment diversification are now removed, allowing great flexibility for long-term asset allocation strategies.

## Self Invested Pension Plans

A SIPP is a personal pension plan but with one very significant difference: administration is separate from investment content, giving the plans holder freedom to choose and change the investments within it.

"Reduce your higher rate income tax liability"

### Why SIPPS?

- No Capital Gains tax to pay and no further Income Tax on the income received within a SIPP
- Direct control of your pension and investment decisions
- Much wider range of assets that are eligible
- Investment choice—mutual funds, commercial property, direct equities/shares (either held on an 'execution only' basis or managed in a portfolio by a discretionary stockbroker)



## ENTERPRISE INVESTMENT SCHEMES



The Enterprise Investment Scheme (EIS) was introduced in 1994 to encourage individuals to invest in small higher-risk trading companies, as a means to help alleviate the problems faced by such companies in raising equity finance.

"Since 6 April 2004, VCTs no longer provide CGT deferral. Hence, EIS is, for most investors, the only means of deferring capital gains tax liabilities."

As an EIS investor, tax advantages include:

- Income tax relief is available provided the shares in an EIS qualifying company are held for 3 years
- No capital gains tax is payable on shares disposed of after 3 years
- The amount subscribed can be used to defer paying tax on all or part of a chargeable event arising on the disposal of any asset

## INDIVIDUAL SAVINGS ACCOUNTS (ISA's)

"Tax free gains and no further tax to pay on the income"

- Introduced on 6th April 1999
- Medium term savings
- Tax efficient returns
- Ability to access equity markets with controlled risks by investing in mutual funds

## Types of ISAs

**Maxi ISA:** This enables individuals to invest up to a maximum of £7,000 per tax year in stocks and shares

## Mini ISA

- Stocks and shares (including unit and investment trusts). This type of ISA has a subscription limit of £4,000
- Mini Cash ISA—Limit of £3,000 per tax year

Investors can subscribe to a Maxi ISA or two Mini ISAs in a single tax year.

## RESIDENTIAL PROPERTY TRUST



A buy-to-let property involves high risk and management. The unique opportunity of a **8 year Trust life and a 8 year pre-agreed commercial lease from an AIM listed Plc** makes this an attractive investment. It also helps to diversify the risks.

The portfolio of the property is comprised of over 2000 flats which will be let to the AIM-listed company. Quality locations in major cities make this an attractive investment opportunity. This will enable geographical diversification of an investors property portfolio.

A major benefit of this investment would be purchase at a lower than Market Value rate, due to bulk purchase of developments. Investors also benefit from management expertise to maximise letting business income.

*Investors will receive an income of 5% per annum on cash invested as well as possible capital appreciation.*

## Smart Wealth Management

This information does not constitute or form part of any offer for sale or subscription to or any solicitation of any offer to buy or subscribe for any securities. Any decision in connection with an investment in these securities should be made solely on the basis of information contained in the respective prospectus issued in connection with the offering. Prospective investors should also fully understand the risk factors before making an investment. If you have any doubt about whether this investment is suitable for you, you should seek advice from Smart Wealth Management. Tax rules and regulations are subject to change. Past performance is no guide to future performance and you may get back less than your original investment. The value of shares can go down as well as up. Registered in England No OC309769. Smart Wealth Management is Authorised and Regulated by the FSA.

## Important Note:

It should be noted that this guide is provided for general information only, and should not be relied upon to take action nor should it be seen as attempting to provide you with any advice. The issues covered are most likely to be of interest to individuals with experience of these types of investments. The latest EZTs will present a large number of complicated opportunities and you will need to seek advice specific to your individual circumstances, needs and objectives.

The view and opinions expressed here are those of the author, Sanjay Shah, given his understanding of the issues at the time of publication.

## Making more of your money ...

For more information of any subject featured in this issue, please send an email to [enquiries@smbenefits.com](mailto:enquiries@smbenefits.com) with a brief description of the investment you are interested in.