

CashCalc Specification Sheets (Client Facing)

Enterprise Investment Scheme (EIS) Tax Calculator

Overview

The Enterprise Investment Scheme (EIS) Tax Calculator is used to show the client their tax relief if they were to invest in an EIS. This calculator takes the value of the Initial EIS investment, Net Growth Rate, Investment Time Frame, Years to disinvest EIS, whether the funds should be reinvested or not after the time frame and Capital Gain to defer.

Assumptions

Below is a list of all assumptions made in order to perform the calculation:

- Figures are rounded up to the nearest pound
- Net Growth Rate has a range between 0.00% and 10.00% (Default: 3.00%)
- The term has a range between 5 and 24 years (Default: 24years)
- Years to disinvest EIS has a range between 3 and 5 years (Default: 4 years)
- An EIS can be invested for either 3,4 or 5 years before having the option to reinvest

Calculations Breakdown

The calculations require seven parameters in order to calculate the given output, these being:

- Amount Invested
- Net Growth Rate %
- Amount Reinvested?
- Capital Gain to Defer
- Tax Rate
- Investment Time Frame
- Years to Disinvest EIS

When someone invests in an EIS, they get an immediate 30% tax relief on their investment. Each investment in an EIS must last for a minimum of 3, 4 or 5 years, depending on the EIS invested in, and the client would have the option to reinvest their money at this time. This is selected with the 'Amount Reinvested?' option. Every time that the client reinvests their money, they get their 30% tax relief again.

This calculator estimates the tax relief claimed, cost to the client after tax reliefs, the growth of their investment, CGT Deferred and the Potential IHT saved after 2 years (BPR qualifying). These are calculated using the following:

$$\text{CGT Deferred} = \text{Capital Gain} \times \text{Tax Rate}$$

$$\text{Potential IHT Saved} = \text{Amount Invested} \times 0.4$$

$$\text{Tax Relief Claimed}_{(n+1)} = \text{Tax Relief Claimed}_n + (\text{Amount Invested} \times 0.3)$$

$$\text{Cost To Client after Tax Relief}_{(n+1)} = \text{Cost To Client}_n - \text{Tax Relief Claimed}_n$$

$$\text{Investment}_{(n+1)} = \text{Investment}_n + (\text{Investment}_n \times \text{Net Growth Rate})$$

A PDF report can be created from this calculator which contains detailed information about the relevant client's details and the outputs of the calculations performed. The data plotted in graphical form is created by using the GoogleChartAPI.