

CORPORATE INVESTMENTS 2009



(SUMMARY FOR ADVISORS)

IMPORTANT NOTE



“Nothing you see here should be taken as any form of Investment, Accounting, Legal or Taxation Advice. The content has been designed as a conceptual overview showing how basic accounting principles and CVS Tax Credits SHOULD be used by Professional Advisors for all client companies making taxable profits. A full Information Memorandum is available on request.”

INVESTMENT NUMBER 1:



(Profits in Excess of £600,000)

Corporation Tax Reduction – from 28% to 21%:

This first investment secures a Year 1 Reduction in Tax from 28% to 21%:

Investor Capital



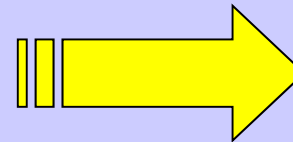
£20.5

PLUS

Provider Capital



£106



£126.5 Initial Value
(Corporate Investment)



NOTES: Although this IS a media investment, it is NOT a “film partnership”. The added £106 of capital is NOT a loan and does NOT have to be repaid. The “Losses” Result in a REDUCTION in effective Tax Rate from 28% to 21%. There is ALSO an investment return possible in yrs 2-5.
(See next slide)

At the end of Yr 1, an Accepted Accounting Value of £21 Generates a Significant overall Loss (s.393A). The Investor's share of this Loss is £95 which @ 28% = £27 less Tax

Corporation Tax Reduction – from 21% to 0%:

The Media Investment Generates Income in Yrs 2-5.
In Effect Returning Most of the 21% Paid in Tax in Yr 1:

Before Investment was made.

28.0%

21.3%

80% Loss
17.4%

50% Loss
14.3%

20% Loss
11.2%

8.1%

2.5%

-12.6%

-12.6%

-17.5%

Yr 1 Position Assuming 100% of the investment were to be LOST!

Yr 5 Position Assuming Media Projects JUST Break Even. (i.e 0% Return over 5 Yrs)

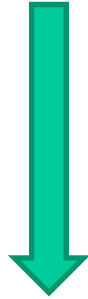
A Series of Net Positions by Yr 5:
These figures show the Investor's NET position taking into Account the Yr 1 Tax Saving PLUS a Variety of Returns on the Media Projects in Yrs 2-5. You will notice that even if the Media Projects make a LOSS, the Investor STILL benefits.

Media Projects – Business Model:

How can a Media Project that Makes a LOSS Provide a BENEFIT to the Investor?

TRADITIONAL MODEL:

100% of Income is Used to Recoup Project Costs.



Only if the Projects MAKE Money will an ADDITIONAL Income be Paid to the Investor.

VS

ALTERNATIVE MODEL:

A Small % of ALL Income is Paid out to Investor, Until Costs are Recouped. Then a higher % Becomes Due.



Hence a LOSS Making Film (for example) CAN Generate Income for the Investor in Yrs 2-5.

5 Yr Investment with Corporation Tax Relief:

Example Case Study Assuming the Media Projects Return only 50% of Costs
(Some of the current Projects are Returning 200% + but this is a Good Benchmark)

£1,500,000 Company Profits to "Shelter":		
	WITHOUT INVESTMENT	WITH INVESTMENT
Year 1 Profits:	£1,500,000	£1,500,000
Total Capital Invested into LLP:	£0	£259,048
Accounting Loss Arising from investment: (Which does not involve any loans to "gear up" as with some "arrangements").	£0	£1,200,000
Taxable Profits:	£1,500,000	£300,000
Corporation Tax (28/21%):	£420,000	£63,000
Distributable Cash:	£1,080,000	£1,177,952
Years 2-5 Post Tax Profits from Investment:	£0	£101,333*
Additional Cash Available:	£0	£199,285
Overall Effective Rate of "Tax":	28%	14.7%
(Additional Cash can be added to an EFRBS/EBT/Annuity to Help with Personal Tax Planning)		

* Full details of how this has been calculated will be provided within the official Information Memorandum on request.

INVESTMENT NUMBER 2:



(Profits in Excess of £50,000)

Corporation Tax Reduction – from 21% to 15%:

Using Pre-Approved Corporate Venturing Scheme (CVS) Legislation a Tax Certificate of £20 can be Claimed at a Cost of Only £15:

Investor Capital



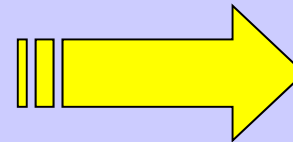
£15

PLUS

Loan Capital



£85



£100 Initial Value
(Corporate Investment)



An Investment of £100 into a CVS Investment WILL Result in the Investor being able to Claim a Tax Certificate worth £20.
(£15 cost = £20 Claim)

NOTES: Although there IS a loan for £85, the business model protects the Investor (details available on request). In addition the Investor will be able to claim relief on the Interest on the Loan – Saving a further £3.7 (approx).

The tax-free investment return over YRs 2-3 will repay the Loan AND Interest PLUS there is potential for a PROFIT too.

Corporate Venturing Scheme:

CVS Investment – Case Study Assuming Company Profits of £200,000:

£100,000 Company Profits being “Sheltered”:

	CASH INVESTMENT	FINANCED INVESTMENT
Gross Investment into PLC:	(£100,000)	(£100,000)
Loan organised by Provider:	£85,000	£85,000
Bridging Loan from Investor's Resources:	(N/A)	£15,000
Interest Costs on Investor's Loan:	(N/A)	(£700)
Net cash from Investor (min = £7,500):	(£15,000)	(£700)
Corporation Tax Credit @ 20%:	£20,000	£20,000
Net Current Year Cashflow Benefit:	£5,000	£4,300
Projected 3 Year Minimum Return:	£102,000*	£102,000*
Loan Capital Repayment:	(£85,000)	(£85,000)
Loan Interest Repayment:	(£17,000)	(£17,000)
Corporation Tax Relief on Loan Interest:	£3,750	£3,900
Gross Return on Investor's Cash Invested/Deployed:	166%	1,357%

* Full details of how this has been calculated will be provided within the official Information Memorandum on request. This example assumes **just** enough profit to pay off the loan and all interest, although there could be more based on past performance.

CONTACT US NOW: 0203 371 9516



www.CorporateConsulting.co.uk/budget.html

***“The Yr 1 Savings made by Client Companies can be used to fund advice on contributions to EFRBS and/or EBTs – and how to Reduce the Tax on Dividends without having to attempt a Corporation Tax deduction.*”**

Although we DO have access to Arrangements that Deliver a Corporation Tax Deduction.”