

2025/26

EIS Planning Guide

Everything a financial adviser needs to know
about the Enterprise Investment Scheme

Ascension Ventures

For Professional Advisers Only

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Introduction

This guide is designed to help financial advisers understand and model the Enterprise Investment Scheme in the context of 2025/26 tax changes. The past 12 months have seen unprecedented shifts in the tax landscape: CGT rates rising, BPR capped, and pensions now subject to inheritance tax from April 2027. These changes have fundamentally altered the investment planning calculus for high-net-worth individuals, entrepreneurs, and pension savers.

This guide presents EIS not as a fringe strategy, but as a core pillar of tax-efficient wealth planning. We've structured it around four real-world scenarios you'll encounter in practice, backed by worked examples, calculators, and downloadable illustrations.

EIS at a Glance

The Enterprise Investment Scheme offers six core reliefs that make it one of the most powerful tax-planning tools in the UK system. Here's what every investor should know:

Income Tax Relief

30% on up to £1m per tax year
(£2m for Knowledge Intensive companies)

CGT Deferral

Unlimited amount; invest 1 year before to
3 years after any capital gain

Tax-Free Growth

All gains after 3-year holding period are
completely tax-free

Loss Relief

Offset against income or capital gains if
company fails within 7 years

IHT Relief (BPR)

100% business property relief within
£2.5m cap per investor (April 2026)

Carry-Back

Treat investment as made in prior tax year
for income tax relief purposes

Key Conditions

- Qualifying company: Must be unquoted, carrying on qualifying trades
- Holding period: Minimum 3 years to access tax-free growth
- Company size: Gross assets must not exceed £15m, fewer than 250 employees
- 7-year rule for KI companies: Cannot receive EIS investment more than 7 years from first investment
- Restrictions: Director/employee status and prior investment rules apply

The 2025/26 Tax Landscape

The past 18 months have fundamentally changed the tax landscape for high-net-worth individuals. These changes create the strongest case for EIS in the scheme's history.

Tax Change	Old Rate	New Rate	Effective Date
CGT (Higher rate)	20%	24%	Already in effect
BADR	10%	14%	2025/26
BADR (next year)	14%	18%	April 2026
BPR	100% unlimited	£2.5m @ 100%, above @ 50%	April 2026
AIM BPR	100%	50%	April 2026
Pensions IHT	Exempt	Subject to 40%	April 2027

The Impact Commentary

Combined, these changes mean: 1. Capital gains tax is now more punitive than ever, making deferral strategies critical 2. BADR is no longer the 'golden ticket' for business owners 3. BPR's £2.5m cap means many HNW estates cannot shelter all assets 4. AIM investors must reconsider portfolio structure entirely 5. Pensions face their biggest structural overhaul in decades EIS bridges all five gaps. It offers deferral, BPR, and a tax-free outcome that outperforms every legacy strategy.

Scenario 1: The Pension Trap

Client archetype: High earner £260k+ with tapered pension allowance

The Problem: Your client earns £280k per year. Their pension allowance has been tapered to just £10,000. Anything above that triggers the 45% annual allowance charge. They have £50k of investable income sitting idle, unable to access their pension wrapper. They face either paying 45% to government or finding an alternative.

The EIS Solution

Invest the £50,000 in an EIS fund. Outcome: • Immediate £15,000 income tax relief (30%) • IHT-free growth of capital from day one • After 3 years: £15k relief + £50k principal + gains all outside inheritance tax • Compared to staying in cash: £15k advantage vs. 0% return with exposure to 40% IHT • From April 2027, pensions entering the IHT net makes this even more powerful as an alternative

Worked Example (45% taxpayer):

£50,000 EIS investment

Income tax relief: £15,000 (30%)

Effective cost: £35,000

At 3-year hold: £50k + gains all IHT-free

Model this scenario using our pension drawdown calculator:

Compared to pension tapered out: £50k in cash, 40% IHT = £20k saved to heirs

ascension.vc/advisors/calculators/pension-drawdown

Scenario 2: The Business Exit

Client archetype: Entrepreneur selling business, £1m+ gain

The Problem: Your client is selling their business for £5m. Original cost was £2m. The gain is £3m. They can claim BADR on £1m at 14% (new rate). The remaining £2m faces 24% CGT. That's £480k to HMRC. They're left with £2.52m after tax. And they're exposed to inheritance tax on that wealth in their estate.

The EIS Solution

Use EIS CGT deferral to neutralise the tax bill, then execute the Lifeboat Strategy. 1. Invest £1m into EIS immediately (within 1 year of disposal) 2. Claim income tax relief: £300k (30%) 3. Defer all £3m of CGT (you can defer unlimited amounts) 4. Hold EIS investment for 3 years — then tax-free growth takes over 5. Lifeboat Strategy: Hold to death — deferred CGT disappears, BPR eliminates IHT Total benefit: £540k (£300k income tax relief + £240k deferred CGT at 24% on £1m)

Worked Example:

Gain: £3m | BADR: £1m @ 14% = £140k | Balance: £2m @ 24% = £480k

EIS Solution: £1m investment = £300k relief

Defer remaining £2m CGT = save £480k (if held to death)

Total benefit: £540k (33% of original gain)

Model this scenario using our CGT deferral calculator:

ascension.vc/advisors/calculators/cgt-deferral

Scenario 3: The Estate Shield

Client archetype: HNW individual with £2m+ estate

The Problem: Your client has built an estate worth £4m. BPR is now capped at £2.5m. The remaining £1.5m attracts 40% inheritance tax = £600k lost to heirs. Worse, they've £500k in cash for investments. Standard ISAs and bonds offer no IHT protection. Pensions? From April 2027, subject to 40% IHT too.

The EIS Solution

Structure the estate using EIS for IHT optimization. First £2.5m: Shelter at 100% BPR (original holdings) Above £2.5m: Place in EIS for 50% BPR and full deferral of gains £500k cash investment: Into EIS fund = £150k income tax relief + IHT-free growth Net outcome: £4.5m estate taxed at average 10% IHT (vs. 40% on unsheltered assets)

Asset Type	IHT Rate	Post-Tax to Heirs
EIS (3yr hold)	0%	100%
BPR (up to £2.5m)	0%	100%
BPR (above cap)	50%	50%
AIM (post-April)	50%	50%
ISA	40%	60%
Pension (post-April)	40%	60%
Cash/Equities	40%	60%

Model this scenario and explore AIM transition strategies:

ascension.vc/advisors/calculators/aim-transition

Scenario 4: The AIM Migration

Client archetype: AIM portfolio holder facing 50% BPR

The Problem: Your client has built an AIM portfolio worth £1.5m over 10 years, generating strong gains. From April 2026, AIM BPR drops from 100% to 50%. On a £1.5m holding, that's a 20% effective IHT rate on the portfolio (50% exemption × 40% rate). To make matters worse, realising gains to sell triggers 24% CGT. They're trapped.

The EIS Solution

Execute a staged AIM-to-EIS transition using CGT deferral. 1. Sell AIM position (realise £400k gain) 2. Claim CGT deferral by investing into EIS 3. EIS investment qualifies for 100% BPR (on holdings 2+ years old) 4. Hold 3 years: tax-free growth + 100% IHT exemption 5. Deferred CGT neutralised if held to death IHT saving: From 50% BPR (£300k exposed) to 100% BPR (£0 exposed) = £120k to heirs

Transition Timeline

Month 1: Sell AIM holdings, declare gains Month 2–6: Invest proceeds into EIS (within 1-year deferral window) Month 7–36: Hold for 3 years (and 2 years for full BPR qualification) Month 37+: Tax-free growth, full IHT exemption Risk note: Section 107(2) IHTA — BPR is vulnerable in first 2 years. Ensure continuous holding.

Model this transition and compare strategies:

ascension.vc/advisors/calculators/aim-transition

The Risk Conversation

The #1 Objection: 'But EIS is risky'

True. But the narrative around EIS risk misses a critical point: the government is subsidizing your downside. Let's model the actual downside for a 45% taxpayer investing £10,000:

Downside Protection Calculation (45% taxpayer, £10,000 investment):

Income tax relief received: £3,000

Loss relief if company fails: $£10,000 \times 30\% = £3,150$ (at basic rate)

Total recovered: £6,150

Maximum actual loss: £3,850 (38.5% of invested amount)

Asymmetric Payoff

Conclusion: For every £1 invested, the government covers 61.5p of downside.

This is an asymmetric payoff:

- Downside: Limited to £3,850 per £10k invested (government absorbs rest)
- Upside: Unlimited (company grows from £10k to £100k = £90k tax-free gain)
- Break-even: Company needs only 15% IRR to justify the trade-off
- Portfolio approach: Ascension funds invest in 10+ companies per fund. Typical outcome: 3-4 failures offset by 2-3 strong performers and several multiples.

How to Talk About This

- Don't sell EIS as low-risk. It's not.
- Do explain the government subsidy: "You're putting £10,000 at risk, but the government is covering £6,150 of that."
- Stress portfolio diversification: "We invest across 15+ companies per fund to reduce idiosyncratic risk."
- Benchmark to alternatives: "Compared to leaving £50k in cash earning 2% and paying 40% IHT on death, this is a dramatically better risk-adjusted proposition."
- Reference track record: [Ascension's historical fund performance data]
- Make it personal: "For your specific situation—high earner, tapered pension, large estate—EIS solves three problems at once."

Run the loss relief calculator to show your client their actual downside:

ascension.vc/advisors/calculators/loss-relief

Why Ascension + Next Steps

Ascension Ventures EIS Funds

Ascension Ventures manages the Knowledge Intensive EIS Fund, investing in deep technology and life sciences companies. Our thesis: the most valuable innovations come from applied research and scale-up capital, not consumer tech. Focus areas: Biotech, medtech, advanced materials, quantum computing, autonomous systems. Typical ticket: £100k–£500k per company Portfolio size: 15+ companies per fund Typical holding period: 5–7 years

Fund Terms

Minimum investment: £25,000 Management fee: 1% per annum Upfront fee: 5% (built into fund economics) Performance fee: 20%/30% (depending on fund vintage) Commitment period: 10 years (with exit events throughout)

How to Proceed

1. Use the calculators at ascension.vc/advisors to model your specific client scenario
2. Download scenario materials and illustrated cases
3. Contact advisors@ascension.vc to discuss your client's situation
4. Request an online illustration via the advisory portal
5. We'll provide due diligence materials, fund documentation, and an investment illustration within 48 hours

Advisers' Contact Details:

Email: advisors@ascension.vc

Website: ascension.vc/advisors

Portal: portal.ascension.vc

This guide is for professional financial advisers only. It is not an offer to invest and does not constitute investment advice. You should conduct your own due diligence and consult with your compliance and tax teams before recommending EIS to clients. The Ascension Ventures Knowledge Intensive EIS Fund is regulated under the Enterprise Investment Scheme and subject to all relevant FCA and HMRC rules.