

CGT Deferral for Estate Planning

One EIS investment eliminates three taxes: CGT, IHT, and the gain on inheritance — ascension.vc

Client Scenario

Your client is in their 60s or 70s with a capital gain to manage and an estate that will exceed the IHT threshold. Deferring into EIS achieves two things at once: the CGT is deferred indefinitely, and after a 2-year hold the EIS shares qualify for 100% Business Property Relief — removing them from the estate entirely. On death, both the deferred CGT and the IHT are eliminated. One investment addresses both problems.

40%

IHT rate
above NRB

£2.5m

BPR cap
from April 2026

24%

CGT on
property gains

The Strategy

Triple tax elimination

Instead of paying CGT and leaving the proceeds in the estate, your client invests the gain into EIS-qualifying shares. This defers the CGT immediately. After 2 years, the EIS holding qualifies for 100% Business Property Relief — dropping out of the estate for IHT purposes entirely (within the £2.5m cap). At death, the deferred CGT is permanently eliminated (Schedule 5B, TCGA 1992), the EIS holding passes IHT-free via BPR, and beneficiaries inherit at market value with a reset base cost. Three taxes, one investment.

Three Stages

- 1 Today — On investment**
30% income tax relief returned immediately. CGT on property gain is deferred — not payable until EIS shares disposed of. Cash that would go to HMRC is now in a tax-advantaged structure.
- 2 After 2 years — BPR kicks in**
EIS shares held for 2+ years qualify for 100% Business Property Relief (within £2.5m per estate). Holding effectively outside the IHT estate. This is when the estate planning benefit locks in.
- 3 At death — Triple elimination**
Deferred CGT permanently eliminated. No IHT on EIS holding (BPR). Beneficiaries inherit at market value — only post-inheritance growth is taxable. Three separate tax liabilities, all gone.

What Gets Eliminated at Death

- **Deferred CGT eliminated:** The deferred gain dies with the client. Permanently. No CGT ever paid on the original property gain. (Schedule 5B, TCGA 1992)
- **IHT eliminated on EIS:** 100% Business Property Relief (within £2.5m). EIS holding passes to beneficiaries free of inheritance tax. (s.105 IHTA 1984)
- **Base cost reset:** Beneficiaries inherit at market value. Only gains arising after inheritance are taxable. Clean slate. (s.62 TCGA 1992)

Suitability

May be suitable if:

- Client has a property or asset gain to manage
- Client is in their 60s or 70s with IHT estate exposure
- Client can commit capital for 2+ years
- Client understands venture capital risk
- Estate exceeds IHT nil rate band
- Professional advice obtained

Key risks:

- Capital loss — high-risk venture investment
- Illiquidity — no secondary market
- BPR only effective after 2-year hold
- BPR capped at £2.5m per estate from April 2026
- Legislative risk on IHT and BPR
- No FSCS protection

Important: This document is for illustrative purposes only and does not constitute financial, tax or investment advice. Figures are hypothetical and based on simplified assumptions and current tax legislation (2025/26). Tax treatment depends on individual circumstances and may change. EIS investments carry significant risk of total capital loss. They are illiquid, with no secondary market, and expected holding periods of 5–10 years or longer. EIS investments are not protected by the FSCS. Past performance is not a guide to future performance.

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