

Renewable Energy: A Tax Efficient Investment Opportunity

The UK is aiming to increase the amount of energy it generates from renewable sources from 1% in 2005 to 15% by 2020*. Renewable energy is a sector showing good growth to date and potential opportunities for the future in what is still a difficult investment climate. As an investor, it is an opportunity to add diversification, alongside traditional investment types and is often offered in a tax advantaged wrapper such as an Enterprise Investment Scheme (EIS) or a Venture Capital Trust (VCT).

EIS and VCT were designed to help smaller higher-risk trading companies to raise finance by offering a range of tax reliefs to investors who purchase new shares in those companies. Both investments provide 30% income tax relief i.e. £50,000 capital investment would receive £15,000 income tax relief which you would receive as a reduction in your tax liability. Other key features of the investments include:

	VCT	EIS
Minimum Term	5 Years	3 Years
Maximum Investment	£200,000	£1,000,000
Dividends	Tax Exempt	Taxed
Growth	Tax Exempt	Tax Exempt
CGT Deferral	No	Yes
IHT Exemption	No	Yes

EIS and VCT managers offer investments in a number of investment strategies and the renewable energy sector has benefited significantly from investors using this channel.

Specialist managers will research and source opportunities to invest in small qualifying companies in the renewable sector. Some typical opportunities for investment returns are:

Ground source heat pumps – Arrangements with a factory, shopping centre or supermarket to install a system and receive an agreed fee for the energy produced in return for the substantial energy saving it would be making for the company concerned.

Anaerobic Digestion - Investment in a facility which has stable long term contracts established with leading waste management companies to supply waste over a fixed term.

Solar Farms – A development company entering into a lease agreement with a land or building owner to rent a site, construct the solar farm and maintain the site with returns coming from the energy generated.

These are very broad examples and different investment houses have different approaches, according to where they see opportunities for growth. To discuss this type of planning in more detail please do not hesitate to contact us on 01522 536108 or by email to enquiries@sfcplc.co.uk

* Source: Department of Energy & Climate Change, National Renewable Energy Action Plan for the United Kingdom.

Streets Financial Consulting plc is authorised and regulated by the Financial Services Authority. The Financial Services Authority does not regulate tax planning.

The value of your investment and the income from it can go down as well as up and you may not get back the full amount you invested.

The value of tax reliefs depends on your individual circumstances. Tax and pension laws can change.

IHT planning, pension planning and investment planning are all long term planning strategies. It is particularly important that you review your objectives and options on a regular basis.

VCT and EIS investments are not suitable for all investors, and you should ensure that you have taken appropriate advice before investing in them