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Improved AIM can fire up your portfolio

Rule change will benefit the
risk-takers, writes **Ali Hussain**

THE government is to allow shares in small and start-up companies to be included in an Isa during the next tax year.

Shares listed on the Alternative Investment Market (AIM) will be allowed to be held within a stocks and shares Isa, giving investors a chance to benefit from income tax and capital gains tax (CGT) relief.

AIM shares already qualify for business property relief, which means they are excluded from the investor's estate for inheritance tax purposes after two years.

About 15% of AIM shares already benefit from CGT and income tax relief as they qualify for an enterprise investment scheme (EIS) or are part of a venture capital trust (VCT).

However, under the proposals, which are likely to take effect in the autumn, all 1,100 firms on AIM will be able to offer the full tax benefits.

Also, unlike EISs and VCTs, which require investors to hold the investments for at least three and five years respectively to get the full tax benefits, there will be no such requirement with Isas.

The London Stock Exchange has long called for inclusion of AIM shares in Isas. It points out that Isa investors can already include investments

from 87 recognised markets — such as FishEx, the Alaskan fish exchange, and the Mercado de Futuros del Aceite de Oliva (MFAO), which trades in olive oil futures — but not UK firms that are listed on

AIM, including Majestic Wine, Mulberry and Asos.

The tax advantages available for investments in smaller firms are to compensate investors for taking extra risk. As Patrick Connolly at AWD Chase de Vere, the adviser, said: "Investing in AIM shares is only suitable for wealthier individuals who are prepared to accept the high risks involved."

Helal Miah, investment analyst at the Share Centre, the investment platform, likes AIM shares that have exposure to emerging markets, including Hutchison China MedTech — which has a partnership with Astra Zeneca to develop and market Volitinib, a cancer drug, in China. He also tips Mulberry, the luxury handbags firm, and Incadea, which produces business software for car makers such as BMW.

If you want to include AIM shares in an Isa now, some are also listed on other recognised markets meaning they already qualify. Mike Savage at Killik, the broker, likes Beacon Hill

Resources, the miner, which is also listed on the Australian Securities Exchange.

It is possible to invest in AIM shares via a fund. Darius McDermott at Chelsea Financial Services likes Marlborough UK Micro Cap, which is up 16% over a year, and M&G Recovery, up 3.5%.

One VCT with AIM shares is the Hargreave Hale fund. And an EIS investing in AIM is Old Burlington Investments Aim Growth.