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and not to be relied upon by retail clients.



Clients looking to reduce their income tax bill using their ISA

Reducing a client's income tax liability has now become a mainstream part of financial planning for individuals.

In this tax planning scenario, we explain how a Venture Capital Trust (VCT) ISA could be used to reduce income tax.

About this scenario

This tax-planning scenario is designed to help advisers develop appropriate planning strategies for their clients. Advisers should consider, among other things, the eligibility and timings of tax reclaims and tax liabilities depicted. They will also need to consider the impact of charges (including initial and ongoing fees, such as administration fees and annual management charges) relevant to the Octopus Titan VCT ISA. When clients choose to sell Octopus Titan VCT shares, they are often brought at a small discount to the net asset value (NAV), so the impact of this should also be considered when assessing the Octopus Titan VCT ISA.

Nothing here should be viewed as advice. Any suitability decisions should be based on a comprehensive review of your client's objectives, needs and attitude towards risk. For more details, please see the relevant product literature.



Meet Marcel, a committed ISA investor

Marcel earns a good salary (£67,500 per year), pays a large amount into his pension and has accumulated a significant stocks and shares ISA of £250,000. However, owing to large monthly mortgage repayments and paying for his children's school fees Marcel has limited liquid cash. With a high annual tax bill and substantial pension and ISA investments already, Marcel is interested in other government-endorsed ways to reduce the amount of income tax he pays without tying up his available liquid cash. He would consider investing in UK smaller companies and is comfortable with the associated investment risk.



A tax-planning solution from Octopus

Marcel talks to his financial adviser, who makes an assessment based on his risk profile, investment time horizon (of more than five years) and attitude towards smaller company investing. Given this, his adviser suggests investing in the Octopus Titan VCT ISA.

Marcel's adviser explains that he could transfer part of his stocks and shares ISA into the Octopus Titan VCT ISA. With the Octopus Titan VCT ISA, Marcel can claim up to 30% income tax relief, provided he holds the shares for at least five years.

An important reminder about key risks

The Octopus Titan VCT ISA is higher risk than your typical ISA holdings. As with other ISAs, it should be considered as a long-term investment. The value of an investment, and any income from it, can fall or rise. Investors may not get back the full amount they invest.

Tax treatment depends on individual circumstances and can change in the future. Tax reliefs also depend on the VCT maintaining its qualifying status. Tax relief is available on investments of up to £200,000 per year.

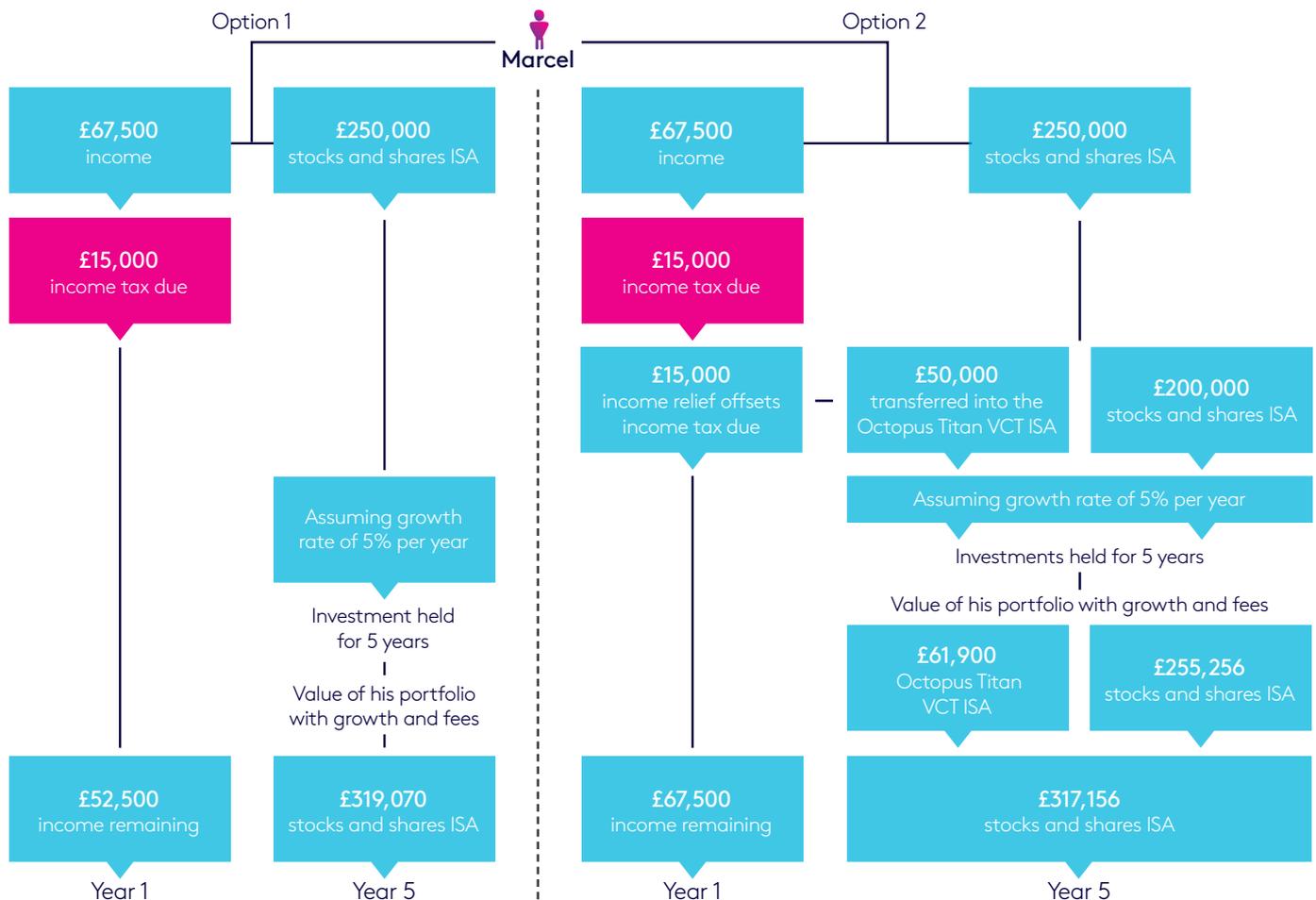
VCT shares could fall or rise in value more or less than other shares listed on the main market of the London Stock Exchange. They may also be harder to sell.

The Octopus Titan VCT ISA is not suitable for everyone.

Transfer £50,000 and get £15,000 income tax relief

This diagram shows how Marcel can take advantage of the tax benefits associated with investing in the Octopus Titan VCT ISA. It's worth pointing out that The Octopus Titan VCT ISA is high risk and inherently different to pensions, stocks and shares and cash ISAs, and shouldn't be compared on tax benefits alone. If an investor needs guaranteed income, cannot tolerate loss or is uncomfortable losing immediate access to their money, then the Octopus Titan VCT ISA is not likely to be suitable. Clearly everyone's circumstances are different and the Octopus Titan VCT ISA won't be suitable for all, but the attractive tax benefits mean that it could be considered as part of a portfolio for some people, alongside their pensions, regular stocks and shares or cash ISAs.

By transferring £50,000 of his stocks and shares ISA into the Octopus Titan VCT ISA, Marcel could claim up to £15,000 income tax relief to offset his income tax due, without tying up any of his regular income.



Note: This example is for illustration purposes only. It is important to note that the risk profile of each portfolio, and any investment growth or losses, is likely to differ.

The Octopus initial fee is 3%, annual management charge is 2% with a 0.3% admin and accounting charge. A performance fee of 20% will be payable on all gains above the NAV, plus cumulative dividends subject to a high water mark (being the highest total value from a previous yearend). For full details on the performance fee and other fees please see the prospectus and Key Information Document (KID).

The £50,000 Octopus Titan VCT ISA investment assumes an initial fee of 3% is taken by Octopus, no initial charge is applied to the stocks and shares ISAs. Other than the initial fee the example assumes the costs for each portfolio are the same, but actual costs may be different. It does not include any charges paid for financial advice. Also, the current ISA provider may charge a fee for transferring an existing ISA.



Octopus can help your clients

Octopus is the largest provider of Venture Capital Trusts in the UK (source: The Association of Investment Companies April 2017). For more information on our range of tax-planning solutions, call **0800 316 2067** or visit **octopusinvestments.com**.

Octopus: an investment company with a difference

When we launched Octopus in 2000, our ambition was to create a different type of financial services company. We wanted to be known for putting our customers first.

Today, Octopus is an investment company with more than 550 employees and more than £7.2 billion in funds under management (source: Octopus, September 2017). We work with tens of thousands of clients, and we've built market-leading positions in tax-efficient investment, smaller company financing, renewable energy and healthcare. But no matter how big we get, our aim is to keep doing the simple things well and to look after each of our customers, day in, day out.

Our products are not suitable for everyone. Any recommendation should be based on a holistic review of your client's financial situation, objectives and needs. We do not offer investment or tax advice, but we recommend investors seek professional advice. This advertisement is not a prospectus. Investors should only subscribe for shares based on information in the prospectus and Key Information Document (KID), which can be obtained from [octopusinvestments.com](https://www.octopusinvestments.com).

Why not look through some of our other tax-planning scenarios?



Clients likely to exceed the lifetime pension allowance



Landlords looking for a tax-efficient income stream



Clients who are additional rate tax payers



Clients who want to reduce their income tax bill



Clients looking to extract profits from their business tax-efficiently



For a copy, or to find out more about Octopus and what we do:

Call our Business Development Managers on **0800 316 2067**
or visit [octopusinvestments.com/clientscenarios](https://www.octopusinvestments.com/clientscenarios)