octopus investments

A brighter way

For professional advisers only. Not to be relied upon by retail investors.

Clients who could benefit from Venture Capital Trusts (VCTs)

Client scenario	How a VCT could help clients who have an appropriate risk profile
Clients looking to diversify their investment portfolio	VCTs offer a unique opportunity to invest in a portfolio of early stage companies, which offer the potential for high returns over an investment time horizon of five years or longer.
Clients who risk exceeding their lifetime pension allowance	With the continued reduction to the pensions lifetime allowance, many more people are now at risk of breaching this limit. VCTs can offer a complementary way of planning for retirement in a tax-efficient manner.
Clients looking for additional sources of income	VCT dividends can potentially provide a source of regular tax-free income and don't need to be declared on an investor's tax return.
Clients with a significant income tax liability	Clients can invest up to £200,000 in a VCT each tax year and claim up to 30% upfront income tax relief. That could be as much as £60,000 off their tax bill for wealthy individuals, providing shares are held for a minimum of five years. Income tax relief cannot exceed the amount of income tax due.
Landlords who pay high rates of income tax on their property portfolio	For buy-to-let landlords who make the majority of their income from their property portfolio, VCTs can offer a way of accessing upfront income tax relief. They also give an opportunity to build an investment pot to help in retirement.
Business owners who would like to access the cash held within their company but are concerned about the tax implications	VCTs can offer a tax-efficient way of extracting profit from a business. Business owners can take a dividend from their company and invest it into a VCT, with the upfront tax relief on a VCT being used to offset against any dividend tax due.
Pensioners who are looking for a way of drawing down their pension tax efficiently	The upfront income tax relief available on a VCT investment can be used to offset the tax paid on pension drawdown post retirement, helping to make pensions even more tax efficient.
Additional rate taxpayers who will face their annual pension allowance being tapered down to £10,000	The attractive tax benefits of a VCT – including the 30% upfront tax relief – combined with only a five-year holding period, could provide an extra way for additional rate taxpayers to invest for their future.

Nothing in this document should be taken as investment advice or recommendation.

- The tax efficient investments offered by Octopus are considered high risk. The value of an investment, and any income from it, can fall as well as rise. Investors may not get back the full amount they invest.
- Tax treatment depends on individual circumstances and could change in the future. Tax reliefs depend on the VCT maintaining its VCT-qualifying status.
- The shares of VCTs could fall or rise in value more than other shares listed on the main market of the London Stock Exchange. They may also be harder to sell.

How can Octopus help you?

We have lots of materials to assist you with identifying clients who could benefit from investing in a VCT, including seven detailed planning scenario. The products offered by Octopus Investments 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. We recommend investors seek professional advice before deciding to invest.

Also available is our retail-friendly guide to VCTs

Find out more

To discuss these VCT planning scenarios and learn more about our products and services, call our Business Development Managers on **0800 316 2067** or email **salessupport@octopusinvestments.com**. For other helpful tax planning tools and ideas, please visit **octopusinvestments.com**.

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