



Clients who've sold a business in the last three years

While a family business can be passed on to beneficiaries with relief from inheritance tax, if a client sells their business they lose that exemption.

Investments that qualify for Business Relief offer a way for clients who have sold a business in the last three years to invest the proceeds in an asset that should immediately qualify for inheritance tax relief.

In this example, we show how a client who has chosen to sell his company could invest the proceeds with the aim of reducing the inheritance tax bill likely to be due on their estate.

About this scenario

We created this tax planning scenario to help advisers develop suitable planning strategies for clients. It does not provide advice on investments, taxation, legal matters, or anything else. As you know, tax-efficient investments aren't suitable for everyone. Any recommendation should be based on a holistic review of a client's financial situation, objectives and needs. Before recommending an investment, you should also consider the impact of charges related to the product, such as initial fee, ongoing fees, and annual management charges.

Meet Alan, who used to own a business

Alan sold his business two years ago for £3 million. He's a widower and his health has recently deteriorated.

When he sold his business, he invested half of the money to help generate a retirement income.

Alan would like to be able to leave proceeds from his business to his three daughters without them facing a large inheritance tax bill.

Given Alan's poor health, traditional forms of estate planning, such as gifts and trusts, may not be suitable because they will take seven years before providing relief from inheritance tax.

Alan's financial adviser explains that when Alan owned his company, his shares in the business would have been expected to qualify for Business Relief (BR), meaning he could have left them to his daughters with relief from inheritance tax. However, the cash he received from selling the business will be subject to inheritance tax because of the size of his estate.

A tax planning solution from Octopus

The adviser assesses Alan's objectives, appetite for risk and capacity for loss and deems him suitable for an investment that qualifies for BR. He suggests that Alan invest £1 million of the cash proceeds from the sale of his business in a BR-qualifying investment.

New investments into BR-qualifying shares usually take two years to offer relief from inheritance tax. However, Alan's adviser has some good news.

He explains that there is a three-year window during which some or all of the proceeds from selling a BR-qualifying business can be invested into BR-qualifying shares. If Alan does this, the new shares should immediately qualify for relief from inheritance tax, provided they are BR-qualifying.

BR-qualifying portfolios invest in the shares of one or more unquoted or AIM-listed companies. They are higher risk investments than a portfolio of main market listed equities, and the tax relief is designed to provide some compensation to investors for taking additional risk.

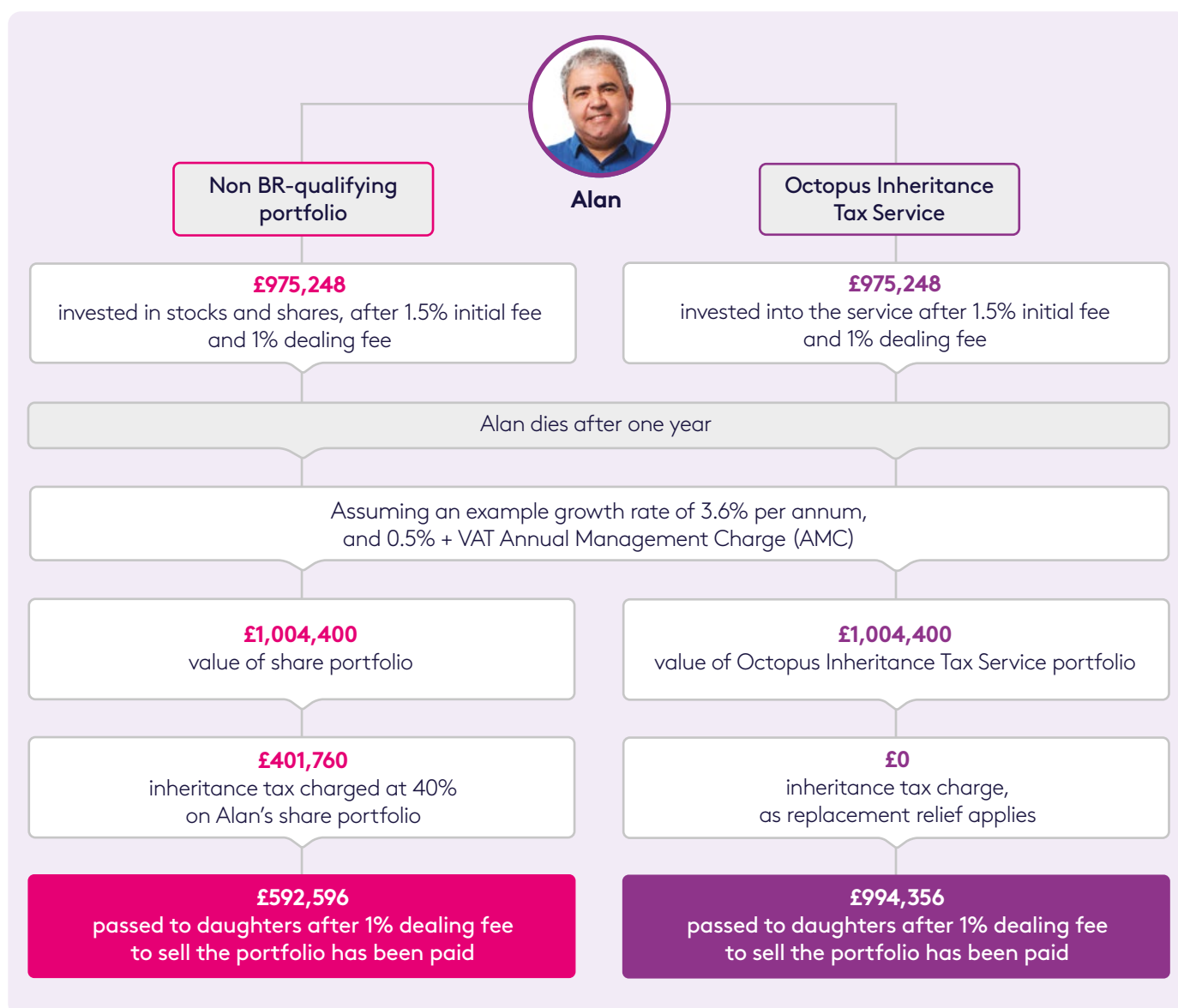
An important reminder about risks

- **BR-qualifying investments are 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 tax rules could change in the future.**
- **Tax relief depends on portfolio companies maintaining their qualifying status.**
- **The shares of unquoted companies could fall or rise in value more than shares listed on the main market of the London Stock Exchange. They may also be harder to sell.**



How it works in practice

Let's see how it might look if Alan were to invest in the Octopus Inheritance Tax Service, a service that invests in the shares of one or more unquoted companies expected to qualify for BR.



Note: Tax legislation, rates and allowances are correct at time of publishing for the tax year 2025-26. This example is for illustrative purposes only and each investor's own tax situation may be different. For ease of comparison, we've assumed identical charging structures, an annual growth rate of 3.6%, and that annual management charges are calculated and paid based on the investment value at the end of each annual period. The risk profile of each portfolio, charging structure, and any growth or losses is likely to differ. This example does not include any charges paid for financial advice. In practice the Octopus Inheritance Tax Service has an initial charge of 1.5%, a deferred AMC of up to 0.5% + VAT and a dealing fee of 1%. AMC is calculated daily and paid pro-rata, contingent on performance, when shares are sold. This example assumes that the investments will be held until death and the nil-rate band is offset against other assets.

In April 2026, a £2.5 million Individual Business Relief Allowance will be introduced that applies to investments in qualifying assets, unquoted investments, and agricultural property. Amounts up to that allowance are free from inheritance tax. Qualifying investments above this allowance attract relief at 50% (as do all qualifying AIM-listed shares). Until April 2026, BR continues to be available on all qualifying investments, including those within the Octopus Inheritance Tax Service, without any cap.

A different kind of investment company



Founded in 2000, Octopus Investments set out to be a financial services company with a difference, and one that put its customers first.

From the very beginning, we've invested in the people, ideas and industries that aim to change the world and unlock a brighter tomorrow. We built our expertise in spaces that make a real difference in financial planning. And we've designed investments that drive money into those sectors we truly believe in, such as renewable energy, smaller companies and healthcare.

Certified We're proud to be a **Certified B Corporation™**



Being a B Corp means our social and environmental performance, accountability and transparency have been assessed and certified. We strongly believe that there is no trade-off between 'doing good' and making money, and our business can pursue purpose as well as profit. We care about how we do business.

Planning opportunities in your client bank

Our investments can help clients in a range of situations meet their financial goals and make use of available tax reliefs. These are some potential planning ideas you might want to consider.

Clients who've sold a business in the last three years	Clients who are settling assets into trust	Clients with a power of attorney in place
Clients who want an inheritance tax-efficient ISA	Clients who want to retain access to capital	Estate planning for clients who worry it's too late
Clients who have inherited a spouse's ISA	Clients with a loan trust in place	Clients whose estate exceeds the RNRB

If you'd like to discuss how these planning scenarios apply to your clients, or to find out more about how Octopus can support you, call our Business Development Managers on **0800 316 2067**, email support@octopusinvestments.com or visit octopusinvestments.com.

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