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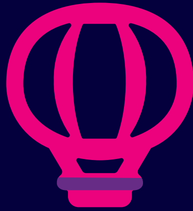

Investments for business owners

An Octopus guide

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Key risks of our investment products

This guide should not be construed as investment or tax advice. It has been prepared in good faith and is based on our understanding and interpretation of the current law, which may change in the future.

- 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 may change in the future. Tax reliefs depend on companies or VCTs maintaining their qualifying status.
- The shares of smaller companies and VCT shares 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.

These products are not suitable for everyone. Any suitability decisions should be based on a comprehensive review of a client's objectives, needs and attitude towards risk. For more details, please see the relevant product literature.

We do not offer investment or tax advice. All information sourced from Octopus Investments and correct as at September 2020 unless stated otherwise. All tax rules and treatment are as of 2020/2021.

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Business owners have more complicated financial arrangements than most individual investors. Octopus has a range of investments that could provide smart solutions for clients who are business owners.

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Tax-efficient investment strategies for business owners

For many business owners, becoming more tax-efficient has become something of a priority.

Many business owners are finding it harder to extract profits from their business tax-efficiently.

The investment landscape has changed in recent years. Historically low interest rates have forced individuals to shun cash deposit accounts and to look for better returns elsewhere. Inflation-beating investment returns are proving harder to come by. Businesses holding large sums of cash on deposit have even fewer options.

No wonder business owners are increasingly looking for ways to reduce their personal tax liabilities and put their company's cash to work.

Fortunately, financial advisers can recommend some solutions. One option is to turn to government-approved tax-efficient investments.

This way, business owners can feel confident that the tax benefits they claim are helping companies like their own grow and prosper.

Tax-planning ideas for business owners

This guide is intended to help financial advisers, solicitors, accountants and other professionals to identify scenarios where tax-efficient investments can help business owners to (1) plan for income tax and (2) plan for inheritance tax. We focus on Venture Capital Trusts (VCTs), the Enterprise Investment Scheme (EIS) and also investments that qualify for Business Property Relief (BPR). The client planning scenarios in this guide can be used to help people facing a number of challenges.

It's worth noting that the valuable tax incentives available to investors depend on them being prepared to accept the additional risks associated with investing in UK smaller companies. For more information about these risks, please read **pages 9 and 11**.

Planning for income tax

Business owners have always looked for ways to be more tax-efficient, but it's becoming more of a challenge.

Historically, the simplest ways for a business owner to reduce their income tax liability would be to invest larger sums into their pension or to pay themselves a dividend, which used to attract a lower rate of tax. However, both of those options have become more expensive in recent times.

Pension provision

On 6 April 2016, the lifetime allowance (LTA) was set at £1 million for most people. Since then it's only seen modest increases in line with inflation. This means that where a pension pot exceeds £1.07 million at the time an investor starts to benefit from it, a tax charge of 25% (if benefits are withdrawn as income) or 55% (if a withdrawal is made as a cash lump sum) will be applied to the excess value. The test is reapplied each time a pension benefit is accessed, and at 75 if an investor has not taken all of their benefits at that stage.

Additionally from April 2020, the annual allowance sits at £40,000, but tapers for those earning adjusted income over £240,000. For every £2 of adjusted income over £240,000, an individual's annual allowance is reduced by £1. The minimum annual allowance is £4,000. Contributions above an individual's annual allowance do not receive tax relief.

The dividend tax

Many small business owners take a salary from their company and receive additional income from dividends. In April 2018, the rate of tax applicable to dividends was changed. While this benefitted individuals who previously paid tax on modest share portfolios, it means business owners who receive higher dividends from their company face a bigger tax bill than they would have a few years ago.

Business owners and owner-managed businesses are increasingly turning towards government-approved tax-efficient investments to complement their existing arrangements.

The benefits of tax-efficient investing

Most investors are aware of the benefits of investing tax-efficiently, most commonly through a pension or an Individual Savings Account (ISA). But investors with significant sums to invest each tax year may want to consider VCTs and EIS, both of which offer incentives including the potential for tax-free growth. VCTs and EIS have the added attraction of providing investors with up-front income tax relief at the time the investment is made.

We explain the features of VCTs and EIS on the next page. Of course, neither VCTs nor an EIS should be considered as a replacement for pension investments. It is important to consider tax-efficient investments as part of a well-diversified investment portfolio.

Comparing EIS and VCTs

Both offer 30% upfront income tax relief and invest into small companies with growth potential, but they target different outcomes for investors.

Structure	**EIS portfolios** **Investors hold shares directly in each company**	**VCT** **Investors hold shares in a larger, listed company, the VCT**
Primary return to investors	Capital growth.	Income stream.
Relief on returns	Growth is tax free.	Dividends are tax free.
Investment horizon	Long term – exits on sale of each company and investing for growth takes time.	Minimum hold is 5 years but can ask to sell shares at any time.
Diversification	Smaller number of companies in portfolio – typically 5-15.	Investment spread across between 20-85 holdings in the VCT.
Stage of growth	Only early-stage companies.	Range of early-stage and more established companies.
Risk of failure	45% loss relief on each company that fails irrespective of portfolio performance.	Losses are offset against profits within the VCT – less volatility.
Maximum investment	£1 million in a tax year.	£200,000 in a tax year.
Inheritance tax relief	Yes – shares should qualify for BPR if held for two years at time of death.	No – investment is into the shares of a listed company so cannot qualify for BPR.

Reasons to invest in VCTs

- VCTs have become an increasingly popular part of annual planning alongside pensions and ISAs.
- Investors wishing to supplement their income during retirement often invest in VCTs because of their potential to pay tax-free dividends.
- Moreover, when it comes to selling shares in a VCT, it is usually easier to return the proceeds to investors than a portfolio of EIS-qualifying companies.

Reasons to invest in EIS

- An EIS qualifying portfolio can provide an attractive way to target high growth with the benefits of tax relief to enhance returns and mitigate some of the downside on individual losses.
- Investments are made directly into smaller companies, typically resulting in returns in the form of capital growth and limited opportunities to exit each portfolio company outside an exit event.
- For some investors, an EIS qualifying investment can also provide the opportunity to defer the payment of Capital Gains Tax (CGT) due on the sale of other assets.

Important risks to consider

It is important for clients to understand the risks associated with VCT and EIS investments.

Investors could lose their money: The value of an investment, and any income from it, could fall as well as rise, and investors may not get back the full amount invested.

Shares may be difficult to sell: There isn't an active market for VCT or EIS shares in the way there is for shares in big companies like BP and Vodafone. This means if an investor decides to sell their shares, they may not be able to find a buyer, or they may have to accept a price lower than the net asset value of the investment. Also, the shares of the smaller companies invested in could fall or rise in value more than shares listed on the main market of the London Stock Exchange.

Tax rules can change: Rates of tax, tax benefits and tax allowances do change. In addition, the tax benefits available to investors through EIS and VCTs depend on an investor's own personal circumstances. Tax reliefs depend on the portfolio companies maintaining their qualifying status. HM Treasury can change the definition of a qualifying investment in the future. This could impact the nature of new investments an EIS or VCT can make over time.

Planning for inheritance tax

Many people are sitting on a potential inheritance tax liability, and are either unaware of it or unsure what to do about it.

HM Revenue & Customs (HMRC) is collecting more inheritance tax than ever before. In 2019-20 inheritance tax receipts topped £5.2 billion[1]. HM Treasury expects this number to rise to £6.7 billion in 2023-24[2]. What's more, the threshold at which inheritance tax is paid on an estate – the 'nil rate band' – is just £325,000 and is expected to remain frozen until April 2021.

Thanks to rises in property prices, even the new inheritance tax allowance – the 'residence nil-rate band' – can't prevent a number of families being left with an unexpected and sizeable inheritance tax bill.

But since most business owning clients will have a business that qualifies for Business Property Relief, this opens up unique opportunities when planning for inheritance tax and opens the door for much-needed and timely advice.

Business Property Relief

Business Property Relief (BPR) has been an established part of inheritance tax legislation since 1976. When it was introduced, the main aim of BPR was to ensure that after the death of its owner, a family-owned business could survive as a trading entity without having to be sold or broken up to pay an inheritance tax liability. Over time, successive governments have expanded BPR so that now it is also an investment incentive for private investors.

BPR is a tax relief that encourages investment in trading businesses, regardless of whether the investor runs the business. It specifically rewards those investors willing to accept the potential additional risk of investing in companies that aren't listed on the main market of the London Stock Exchange. Investments that qualify for BPR can be passed on free from inheritance tax upon the death of the shareholder, provided the shares have been owned for at least two years. There is no maximum amount of investment that can qualify.

[1]HMRC Tax & NIC Receipts, March 2020. [2]HM Treasury, March 2020.

Reasons to invest in BPR-qualifying companies

Speed: Whereas a gift typically takes seven years for the estate to achieve full inheritance tax exemption, a BPR-qualifying investment can be passed on at death free from inheritance tax provided it has been held for at least two years.

Access and ownership: Whereas settling assets into trust or gifting permanently removes assets from the client's ownership, shares in BPR-qualifying investments continue to be held in the client's name. Subject to liquidity, investors can ask to sell shares and have the proceeds returned to them, or they can set up regular withdrawals to meet changing needs, such as care home fees.

BPR-qualifying investments do not use the nil-rate band: Investors can use their £325,000 allowance to reduce the inheritance tax charge on less liquid assets, such as their home, which are otherwise difficult to remove from the estate when planning for inheritance tax.

BPR-qualifying investments should be considered as an investment in their own right; the tax incentives are intended to encourage investment in unquoted and AIM-listed companies given the additional investment risks.

Important risks to consider

BPR-qualifying investments are not likely to suit everyone, and it is important that clients understand the risks associated with such an investment.

Investors' capital is at risk: Investments will be made in trading companies that are not listed on a main stock exchange. The companies invested in could fall in value, and investors may get back less than they invest.

Shares could be more volatile and less liquid: Investments in unquoted companies or those quoted on the Alternative Investment Market (AIM) are likely to have higher volatility and liquidity risk than securities on the main market of the London Stock Exchange.

Tax rules and reliefs can change: Tax rules could change in the future. The value of tax reliefs will depend on an investor's personal circumstances. BPR is assessed at the time a claim is made and there can be no guarantee that a company will remain BPR qualifying. Tax reliefs depend on the portfolio companies maintaining their qualifying status.

Investing in VCTs to complement existing pension arrangements

Investing in a VCT could help high-earning staff or directors at risk of hitting the Lifetime Allowance for pension contributions.

Successive governments have reduced the amount of money individuals can invest tax-efficiently in a personal pension over their lifetime. It's possible that some of your clients may one day have to stop contributing towards their pension altogether.

And it's not just top rate taxpayers who are likely to be affected. Thanks to decades of compounding, even those investing fairly modest annual amounts throughout their working life could be forced to stop paying into their pension early or risk breaching the new limits. This could make life increasingly difficult for people facing a lengthy – yet underfunded – retirement.

In addition, the ability of high earners to make annual pension contributions tax-efficiently can be restricted to as little as £4,000 a year, following changes to the tapered annual allowance for additional rate tax payers in 2020.

How a VCT can help

High earners comfortable with the risks of investing in UK smaller companies could invest in a VCT and claim 30% income tax relief on up to £200,000 invested in any single tax year, provided they hold the VCT shares for at least five years and where the income tax relief claimed doesn't exceed the amount they expect to pay. A high earner could even consider investing annually in a VCT, steadily building a tax-efficient investment to sit alongside their pension.

One of the biggest attractions of VCTs – particularly among income-seeking investors – is the potential to pay tax-free dividends. However, VCT dividend payments aren't guaranteed, so investors should take a close look at the track record of the VCT manager, the investment policy and any dividend targets the manager will be looking to achieve.

The tax benefits of investing in VCTs

	ISA	Pension	VCT
Upfront income tax relief on initial investment	None	20-45%	30%
Annual personal limits	£20,000	£4,000-40,000	£200,000
Lifetime personal limits	None	£1.07 million	None
Minimum holding periods	N/A	No access until 55+[1]	Five years
Ongoing tax benefits	Tax-free growth and dividends	25% tax free, rest is taxed	Tax-free growth and dividends

As well as delivering upfront tax relief on investments, having access to the money invested in a VCT after only five years can be attractive for those who may want to access it before they retire or for those who may want to re-invest the money in another VCT.

Note: For illustrative purposes only. A VCT is likely to have a higher risk profile than either pensions or ISAs. When investors choose to sell VCT shares, they are often bought at a small discount to the value of their underlying net asset value. Therefore, the impact of this should be considered when assessing any specific VCT.

[1]From 2028, the age at which people are allowed to withdraw private pension savings will increase to 57. Following that, the minimum pension age will continue to be ten years below the state pension age, which is due to increase in line with life expectancy rises.

Extracting profits from a company tax-efficiently

Investing in a VCT could help to extract surplus cash from a company in a tax-efficient manner.

Many small business owners often take a small, regular salary from their company and, when the company is sufficiently profitable to do so, they elect to take additional income by way of dividends.

But while the introduction of an annual dividend allowance resulted in individuals paying less income tax on modest share portfolios, business owners expecting to receive higher dividend income face significantly higher tax bills.

How a VCT can help

It's quite commonplace for self-employed consultants to use a limited company structure to work with a number of different companies. For example, an IT consultant with a limited company could pay themselves an annual salary of £12,500. This salary would be tax-free, as it sits within the consultant's personal allowance.

A consultant who stands to receive an additional £70,000 in dividends would need to know how these dividends would be treated upon withdrawal:

- The first £2,000 would be tax free.
- The next £35,500 would be taxed at the basic rate of 7.5% (a tax liability of £2,662.50).
- The remaining £32,500 would be taxed at the higher rate of 32.5% (a tax liability of £10,562.50).
- This equates to an income tax bill of £13,225 leaving an after-tax sum of £56,775 from the dividends in addition to his salary.

Providing the consultant is comfortable with the higher risks of a VCT, they could invest a portion of their income for a minimum of five years. They could claim 30% income tax relief on up to £200,000 invested in any single tax year, provided the VCT shares are held for at least five years. The upfront income tax relief claimed through a VCT could be used to offset the tax bill due on the dividend. In this scenario, as a VCT investor, the consultant would also benefit from tax-free dividends from the VCT and would have no capital gains tax to pay if the VCT shares have grown in value when they decide to sell.

Investing dividends tax-efficiently in a VCT

Company

£70,000 dividend paid out with part used as income and part placed into a savings account

£70,000 dividend paid out with part used as income and part invested into a VCT

£44,083.33 invested in a VCT

£25,916.67 remaining in cash

£13,225 30% tax relief on VCT

£13,225 dividend tax due on the initial £70,000 extracted

£56,775 remaining after tax in addition to £12,500 tax-free salary

£70,000 remaining after tax, £25,916.67 can be used to provide immediate income in addition to £12,500 tax-free salary

The business owner can claim 30% income tax relief on their VCT investment and use it to offset the dividend tax due from the declared dividend (provided the shares are held for a minimum of five years).

Note: For purposes of this illustrative example, we have assumed no gain or loss on investments, and it does not take into account any initial fees or ongoing charges that will be incurred. VCTs are high risk and inherently different from pensions and ISAs. When clients choose to sell VCT shares, they are often sold at a small discount to the value of their underlying net asset value, so the impact of this should also be considered when assessing any specific products. Please note, after selling shares in a VCT, it is not possible to claim tax relief on new shares bought in the same VCT within six months of the initial sale.

Retaining inheritance tax relief following the sale of a business

Someone planning to sell their business could invest the proceeds with the aim of reducing a potential inheritance tax bill due on their estate.

Take the example of a client who sold their business due to ill health, and has been holding the (£1 million) proceeds in cash. He would like to be able to leave this to his three daughters without them facing a large inheritance tax bill. When the client still owned his company, his shares would have qualified for BPR upon his death, meaning he could have passed them to his daughters free from inheritance tax. However, now the business has been sold, inheritance tax is again a concern.

How BPR-qualifying investments can help

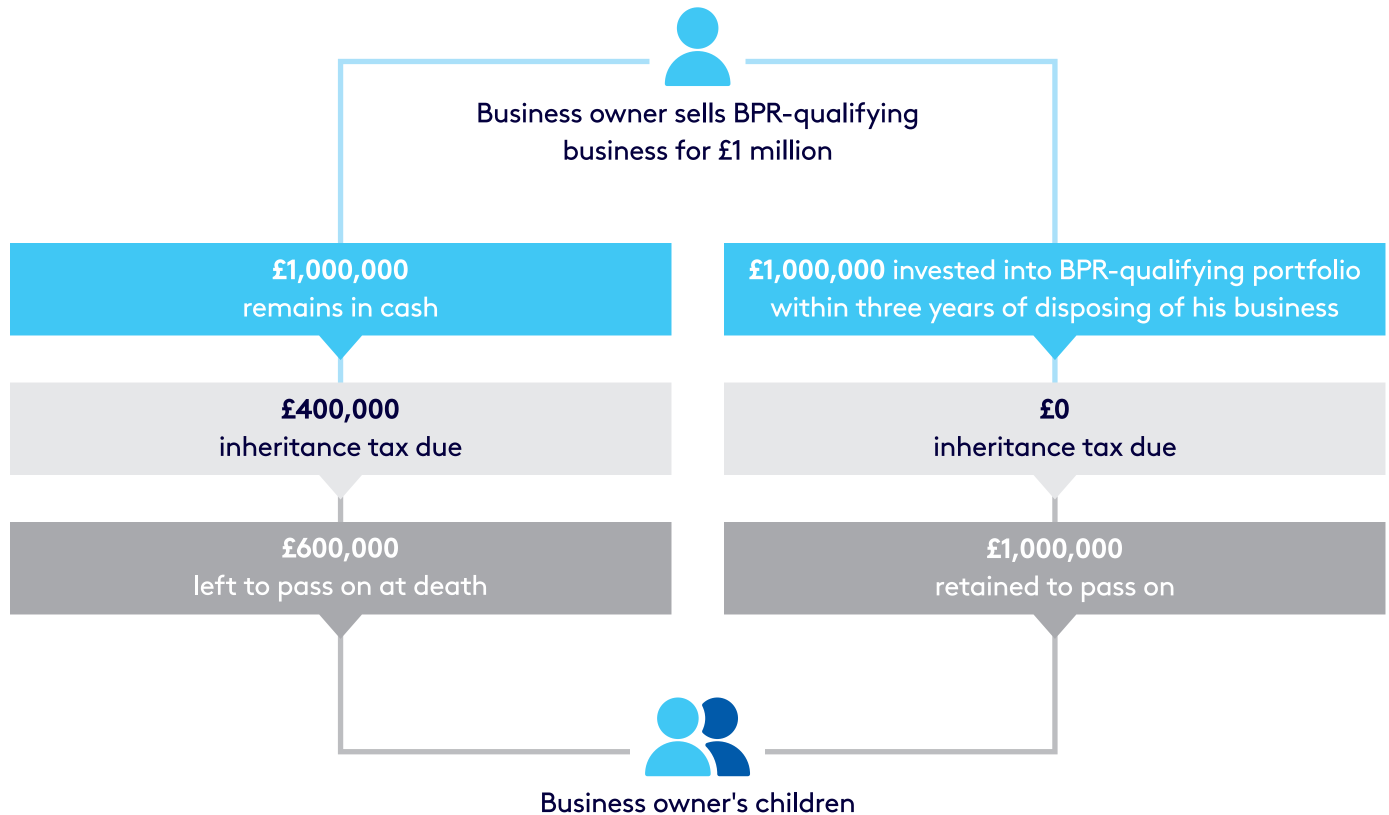
Given the client's deteriorating health, an adviser would likely caution against traditional forms of estate planning, such as gifts and trusts, which take seven years before becoming free from inheritance tax. New investments into BPR-qualifying shares usually take two years to become exempt from inheritance tax. However, there is a three-year window during which some or all of the proceeds of a qualifying business sale can be invested back into BPR-qualifying assets. Known as 'Replacement Relief', this means that if the client chose to invest some or all of the sales proceeds into a BPR-qualifying investment, it would immediately be exempt from inheritance tax.

This same approach could be applied for clients with other concerns. For example:

- Serial entrepreneurs wishing to take time out before another business venture could invest some or all sale proceeds into BPR-qualifying investments. While placing invested capital at risk, this would ensure their estate was not exposed to an inheritance tax bill in the interim, as well as providing the opportunity for their next business to instantly qualify for BPR without resetting the two-year clock.

Business owners realising a large sum on the disposal of their business may want to use a discretionary trust to make early provision for future generations. As the client's investment should qualify for Replacement Relief, they could settle the new BPR-qualifying investment into trust for the long term (without needing to wait for two years first) and should not be required to pay the Chargeable Lifetime Transfer (CLT) charge of 20% that would otherwise be due.

Claiming relief on a business already sold



Note: For illustrative purposes only. We have assumed no gain or loss on investments, and it does not take into account any initial fees or ongoing charges that will be incurred. The business owner does not need to invest the total proceeds of his business sale in order for it to qualify for Replacement Relief. However, the estate will only be entitled to claim BPR on the qualifying shares that are held at the time of death. This assumes the investment has been reviewed and deemed exempt by HMRC. In order to be exempt from inheritance tax, BPR-qualifying assets must have been held for at least two of the five years preceding death.

Business owners investing proceeds for the future

Investing in an EIS portfolio can provide attractive tax benefits while backing other small business owners.

Business owners can have lots to think about when they sell their business. They go from having a large portion of their wealth tied up in their business to receiving a lump sum. Many clients will have plenty of ideas about what they need this lump sum to deliver for them. It could be an income stream, to start a new enterprise or to make investments for the future.

When a company is sold, business owners typically benefit from some or all of the gain being taxed at a favourable rate of 10% Capital Gains Tax (CGT). This used to be called Entrepreneurs' Relief and applied to the first £10 million of gains during a lifetime.

But since April 2020, it has been renamed Business Asset Disposal Relief (BADR) and is limited to the first £1 million of lifetime gains.

Why EIS might be interesting

EIS portfolios invest in a portfolio of small companies with the potential for high growth. This can be attractive to business owners who want to use some of the proceeds from the sale of their own business to back fellow entrepreneurs, and can afford to invest for the long term in high risk investments.

To qualify for EIS relief, companies must be small and at the start of their growth journey. These qualifying companies allow an investor to claim generous tax reliefs. In addition to upfront income tax relief at 30% of the amount invested, any growth will be free from CGT. If a company fails to perform, the net loss (amount invested less upfront income tax relief claimed) can be claimed against income tax or capital gains tax. This is a significant benefit when making a high risk investment.

There are two further reliefs that might also be relevant to business owners who have recently sold their business:

CGT deferral relief

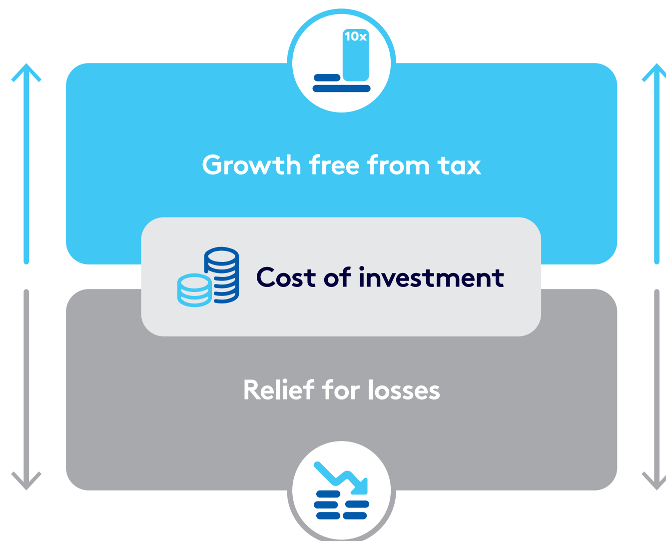
CGT deferral relief enables a business owner to invest some of the capital gain realised on the sale of their business and defer the CGT due on it until a later date. If the gain invested would have been covered by BADR, when each company in the portfolio is sold, the gain will revert at the BADR rate. If the gain invested was outside of BADR, then CGT rates applicable at that time would apply at the investor's marginal rate.

To qualify for deferral relief, the investment into qualifying shares must be made within three years of the business sale, or can be made up to a year before a future sale.

Business Property Relief (BPR)

BPR is a relief from inheritance tax that shares in EIS qualifying companies benefit from. It is typical for unlisted businesses to also qualify for BPR, although not all will. If the business sold qualified for BPR, and had been owned for at least two years before disposal, then the EIS-qualifying shares will have a further benefit of qualifying for BPR immediately. This is due to a relief called "replacement relief".

While unlikely to be a motivation to make the investment, it can be reassuring for a business owner to know that the investment should pass free from inheritance tax if they die while still invested. Any deferred gain will also be eliminated upon death.



Example

For example, a business owner sells her company for £2 million, having invested £500,000 in it over the years. The £1.5 million of growth will be subject to capital gains tax, £1 million at 10% (BADR) and £500,000 at the owner's marginal rate of 20%. She invests £200,000 of the gain into a portfolio of 10 companies that each qualify for EIS six months later.

- She will be entitled to claim £60,000 of EIS relief against her income tax bill for the current or previous year.
- She will also be entitled to claim CGT deferral relief, which will entitle her to reclaim £40,000 of capital gains tax paid on the disposal. She understands this gain will come back into charge later when the shares are sold (even if they make a loss).
- She also has the reassurance of knowing that if she unexpectedly passes away, her investment will pass to her children free from inheritance tax. If this were to happen, the deferred gain will be eliminated.

She is excited about backing potential future success stories, and comfortable with the risk of losing her capital.

Please note: Tax reliefs depend on qualifying criteria and personal circumstances. Companies need to remain qualifying for over 3 years. Investors' capital is at risk. Please see page 9 for the key risks associated with an EIS investment.

Companies looking to retain BPR-qualifying status

Business owners need to make sure their company doesn't fall foul of BPR qualification rules.

Companies holding a significant cash surplus run the risk of being classed as an investment – rather than a trading – business. Failing to utilise cash in qualifying activities could mean that an otherwise BPR-qualifying company's shares do not qualify wholly or in part for BPR upon the death of the business owner. The resulting inheritance tax bill could mean the company has to be sold to pay the bill, jeopardising the owner's wishes for the company and their beneficiaries.

What options are available?

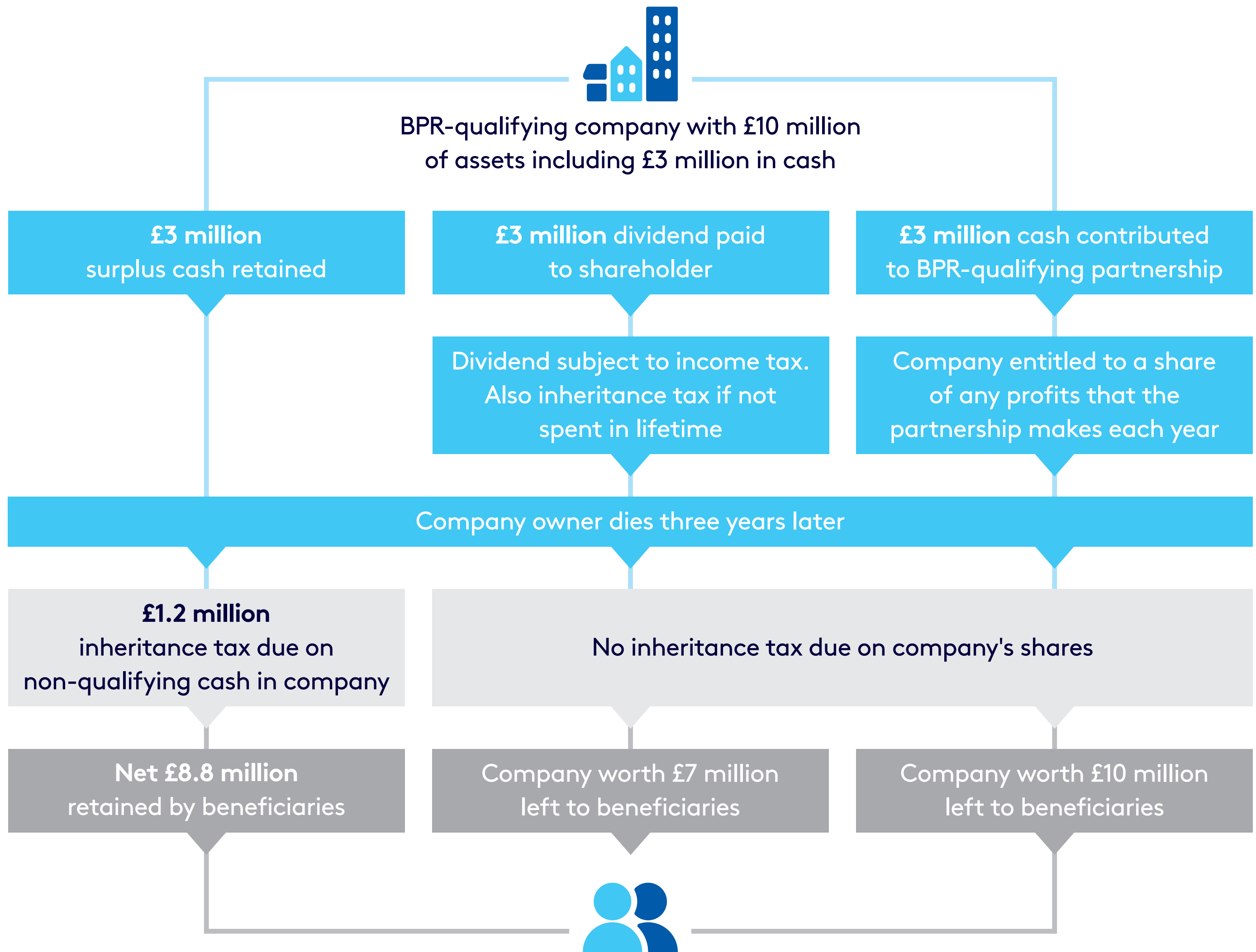
Business owners could take cash out of the business, removing the non-BPR-qualifying element. However, there are lifetime tax implications with this approach, and unless the cash is spent before the owner passes away it will still be subject to inheritance tax. Removing cash from the business may be impractical if the owner wishes to keep it in the company for future business use. An alternative option would be to keep the cash within the company and use it to undertake further trading activities.

Business owners can also deploy capital in a different sector by contributing capital to trades carried on in partnership with other like-minded companies, and overseen by a professional manager. Becoming a member of a partnership that carries out qualifying trades would place capital at risk, but potentially restore BPR. Once the cash balance has been deployed, the company could be 100% BPR qualifying. A further benefit is that putting cash to work in qualifying business activities offers the potential to generate additional profits for the business.

A working example

Take a business owner with a trading company expected to qualify for BPR with £10 million of assets. Following the sale of a warehouse, £3 million is in cash. Their tax adviser has warned that when they die, inheritance tax may be due on non-qualifying cash. See page opposite for an example of how the business owner could make tax-efficient use of the surplus cash in their business.

Making tax-efficient use of surplus cash in a business



This example is for illustration purposes only and assumes no loss or gain on the investment, although fluctuations will apply in practice. It does not take into account any initial fees or ongoing charges that will be incurred.

Additional client scenarios

There are many other ways in which tax-efficient investments can assist business owners with lifetime planning. Here are some examples:

Buy-to-let landlords

VCTs can help buy-to-let landlords deriving most of their income from their property portfolio to access upfront income tax relief. VCTs can also help them build an investment pot for retirement.

Business owners looking for tax-efficient pension drawdown

The upfront income tax relief available on a VCT can be used to offset the tax paid on pension drawdown post retirement, helping to make pensions even more tax-efficient.

Clients with large income tax bills and current year plans to match

Some clients might want to invest in a VCT in the current year, diversifying their portfolio and benefiting from income tax relief on their investment, but may have plans to spend their current year's income elsewhere. Some VCTs can be invested in via an ISA transfer, maintaining funds within the ISA wrapper while benefiting from the growth and tax relief that VCTs can afford.

Older people with large sums in ISAs

Many people are not aware that their ISAs will be subject to inheritance tax. Since 2013, investors have been able to access the AIM market through ISAs. Provided an ISA invests only in companies that qualify for BPR, it can offer inheritance tax exemption as well as the traditional ISA benefits of tax-free income and capital growth.

Companies concerned about FRS102

For accounting periods starting after 1 January 2016, small companies are required to account for investment bonds at fair value each year. This can mean that Corporation Tax is payable before the bond pays out. Investing into certain BPR-qualifying businesses can avoid this mismatch, as well as providing additional tax benefits.

High net worth individuals setting up a Family Investment Company (FIC)

BPR-qualifying investments may appeal to families looking to plan for future generations by managing some of their family's wealth in a limited company.

VCTs and BPR-qualifying investments place investors' capital at risk. For further details, see pages 9 and 11.

NOUVEAU
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MAISON
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About Octopus

When we launched Octopus in 2000, we wanted to create an investment company that put its customers first. We started by looking at what didn't work very well, and found ways to do things differently.

Today we have more than **750** employees and **£9.1 billion** in assets under management[1]. We work with tens of thousands of clients and we've built market-leading positions in tax-efficient investment, smaller company financing, renewable energy, property and healthcare.

But no matter how big we get, we'll keep doing the simple things well and we'll keep looking after each of our customers, day in, day out.

Supporting financial advisers, solicitors and accountants

We're very appreciative of the support of the professionals who recommend our products, and we're always looking for ways to give something back. We have more than 60 dedicated support staff working across our Business Development and Investor support teams.

We also host regular events covering tax planning as well as broader industry developments. These events are a great way to share information and connect with like-minded investment professionals. Attending an Octopus-run event will usually earn a Continuous Professional Development certificate.

[1]Octopus, 30 September 2020. Funds under management data includes funds under advisory mandates, funds monitored and the Octopus Cash service.

Investments from Octopus

BPR-qualifying investments

Octopus is the UK's largest provider of investments that qualify for relief from inheritance tax[1]. We have been managing a range of investment services capable of meeting specific estate planning needs since 2005. Each service aims to achieve inheritance tax relief after just two years, while ensuring investors are able to keep access to their investment.

VCTs

Octopus is the UK's largest provider of VCTs[1], currently managing over £1.54 billion on behalf of over 36,000 investors. We launched our first VCT in 2001 and now offer investors a range of investment options. Each VCT has a different investment strategy, from early-stage companies with the potential for high growth through to investments in more established companies looking to accelerate their growth. It's worth noting that our VCT offer periods vary, so please contact us to find out more.

Remember, tax-efficient investments are not likely to suit everyone. We always recommend that a potential investor reads the appropriate product literature and talks to a financial adviser before making an investment decision. This document is not a prospectus. Investors should only subscribe for VCT shares based on information in the prospectus and Key Information Document, which can be obtained from **octopusinvestments.com**.

[1] Tax Efficient Review, 2020.

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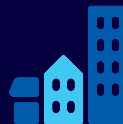
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