

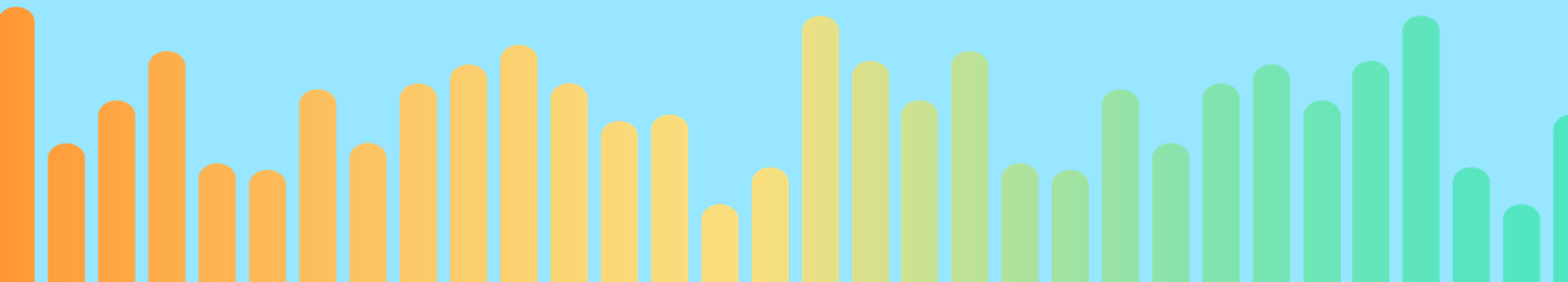
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retail investors.

Octopus Live in the Capital 2025

octopus investments
A brighter way

From VCT rookie to rockstar – writing your first case with confidence

Olly Jacobs
Octopus Investments

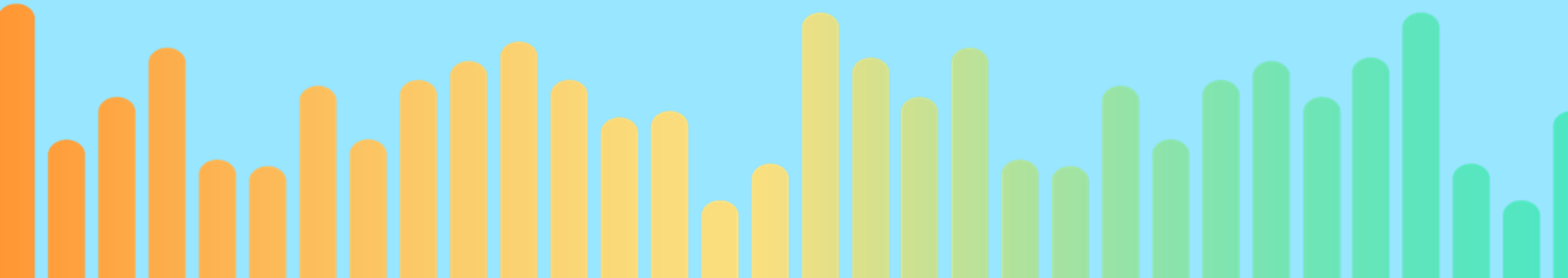


Learning objectives

1. Discover how clients can access venture capital through VCTs.
2. Explore why VCTs present a growth opportunity for both your business and your clients.
3. Learn how to identify opportunities within your client bank.
4. Find tools to help you write your first VCT case.



An introduction to venture capital and VCTs



Tax reliefs compensate investors for taking investment risk



Capital at risk

VCTs are high risk investments. 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

Tax treatment depends on an investor's personal circumstances and may change in the future.

Qualifying status

Tax reliefs depend on the portfolio companies maintaining their qualifying status.

Volatility and liquidity

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.

About venture capital and VCTs

Sunset clause
extension 2035

Frozen
thresholds

£9bn invested
in 2024¹
(12.5%
increase
vs 2023)

VENTURE

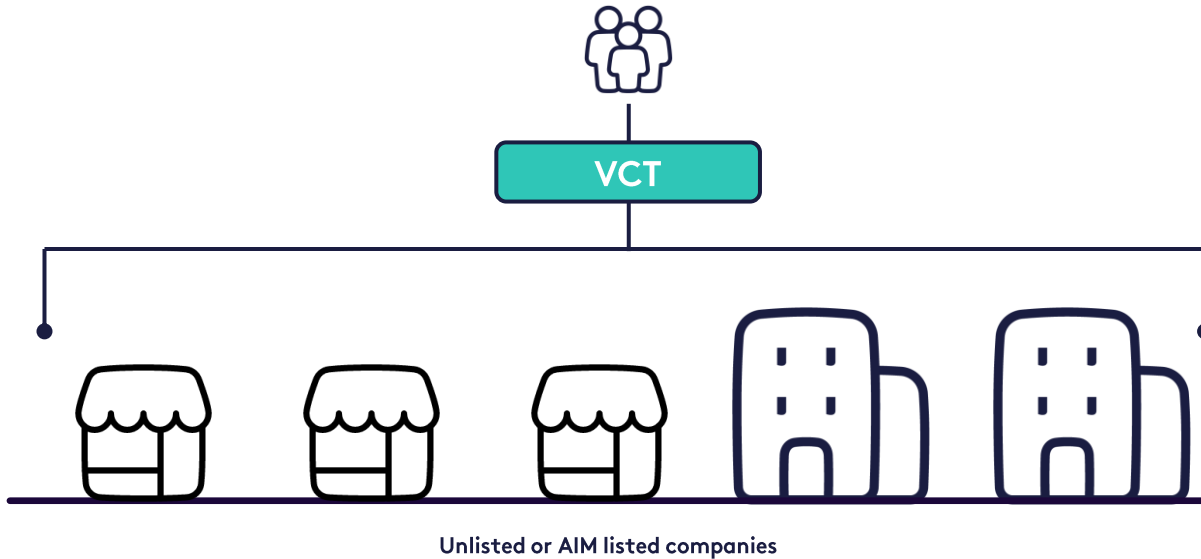
CAPITAL

¹<https://www.bvca.co.uk/resource/venture-capital-investment-in-british-startups-and-scaleups-reaches-9bn-in-2024.html>, BVCA, May 2025.



How does a VCT work?

A listed company that pools investors' money to invest into early-stage businesses



Tax-free dividends

Up to 30% income tax relief

Tax-free growth

Tax reliefs depend on qualifying criteria and personal circumstances and may change in the future.

Why invest in a VCT



Tax relief



Help diversify
investments



Complement other
financial planning



Potential to
generate
tax free income



Support the
UK economy



Adding venture capital to a client's portfolio

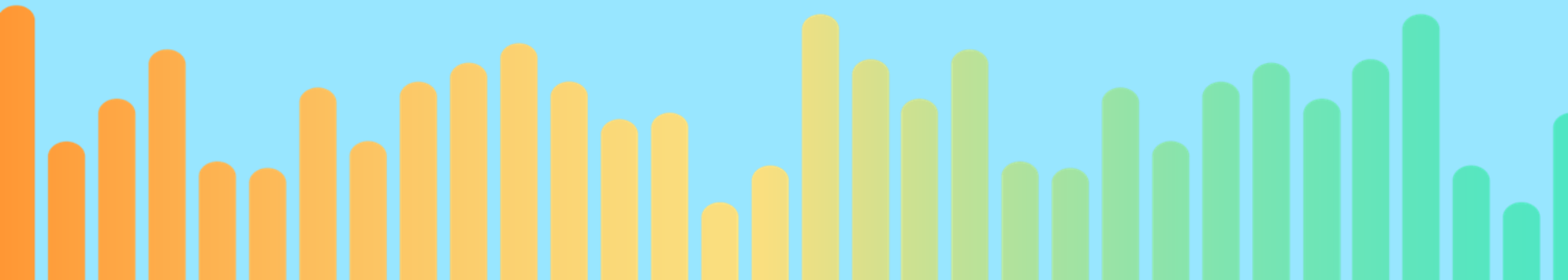


**Could improve
annual returns
without
altering overall
portfolio risk.**

**Asset allocation
of the portfolio
would need to be
altered by
increasing lower
risk assets.**

Investing in smaller companies is high risk.

Why VCTs are more relevant for advisers than ever



VCTs as a valuable part of an adviser's business

Broad range
of clients¹

Income
planning tool:
Tax efficiency
and financial
return²

Repeat
business and
investment
opportunity³

Grow your
professional
connections

"VCTs are no longer just a tax-year-end tactic – they're a year-round, forward-looking strategy and a valuable part of the adviser toolkit. As client needs evolve, advisers have an opportunity to use VCTs more proactively in long-term planning."³

Ewoud Karelse, Senior Analyst at Evelyn Partners

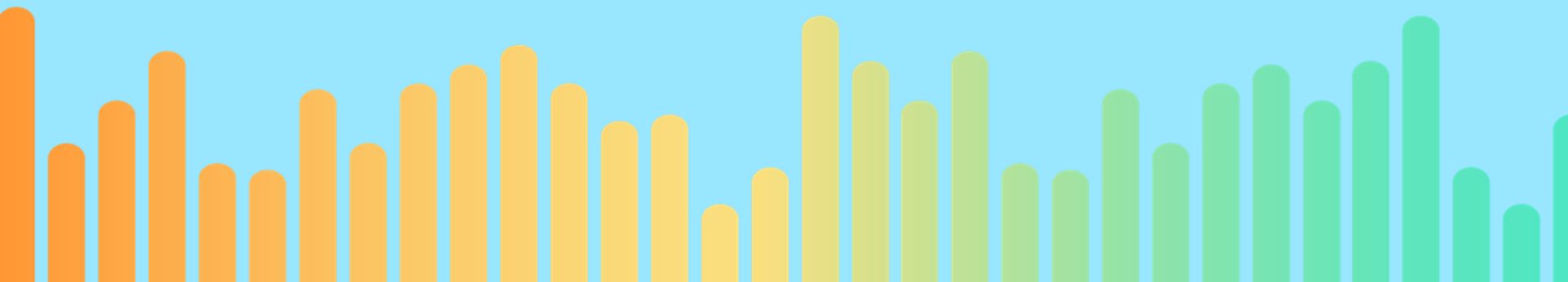
¹<https://octopusinvestments.com/resources/insights/advice-opportunities-are-dwindling-how-vcts-can-help/>, Octopus Investments, Sep 2024

²<https://ifamagazine.com/vcts-remain-an-attractive-investment-option-30-years-on-but-arent-delivering-their-full-potential/>, IFA Magazine, May 2025

³<https://octopusinvestments.com/resources/insights/from-optional-to-essential-are-vcts-the-tax-efficient-tool-advisers-cant-afford-to-ignore/>, Octopus Investments, Jun 2025



Deep dive into client planning



Who could a VCT investment be suitable for?



Investors who want to reduce their income tax bill.



Investors looking to extract money from a business tax efficiently.



Investors in the medical profession looking to invest for retirement.



Investors selling a buy-to-let property and targeting tax-free income.



Investors who want to extract money from their pension.



Investors who are landlords looking for a tax-efficient income stream.

VCT investors need to be comfortable with the risk profile associated with this type of investment.

Client scenarios

- We created these tax planning scenarios to help advisers develop suitable planning strategies for clients.
- They do not provide advice on investments, taxation, legal matters, or anything else.
- 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.



Clients who want to reduce their income tax bill



- Anthony, director of a media company, has accumulated significant ISA savings and pays large amounts into his SIPP each year.
- With a high annual tax bill, and substantial pension and ISA investments, he is interested in other ways to reduce the amount of income tax he pays.
- Anthony would consider investing in UK smaller companies and is comfortable with the associated investment risk.

Anthony's financial adviser makes an assessment of his profile and suggests investing £50,000 of Anthony's annual income in a VCT each year

Clients who want to reduce their income tax bill

How Anthony reduced his yearly income tax bill by £15,000

Anthony makes a **£50,000** investment in year one which allows him to claim **£15,000** in tax relief.

He continues to invest an additional **£50,000** into a VCT in years two, three, four and five, claiming income tax relief of **£15,000** in each tax year.

YEAR 1

Invest **£50,000** in a VCT

£15,000 income tax relief

YEAR 2

Invest **£50,000** in a VCT

£15,000 income tax relief

YEAR 3

Invest **£50,000** in a VCT

£15,000 income tax relief

YEAR 4

Invest **£50,000** in a VCT

£15,000 income tax relief

YEAR 5

Invest **£50,000** in a VCT

£15,000 income tax relief

YEAR 6

Re-invest sales proceeds from original **£50,000** VCT investment

£15,000 income tax relief

Note: Tax rates and allowances are correct for the tax year 6 April 2025 - 5 April 2026. 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.

Clients looking to extract profits from a business tax efficiently



- Vijay is an independent IT contractor. He has established a limited company.
- He pays himself with a combination of a salary and a dividend. After tax, he's left with £47,015 in available cash.
- Vijay also pays into his pension and chooses to invest in some new technology for his business. However, he is still left with surplus money which is building up in his business.

Given Vijay's goal of extracting surplus money tax efficiently, his adviser suggests that he pay himself an additional £50,000 dividend and invest it into a VCT, holding this investment for at least five years.

Clients looking to extract profits from a business tax efficiently

How Vijay reduced his income tax bill by investing additional dividends paid from his business

Initial situation £12,570 salary	With additional dividend extracted from company £12,750 salary	
£37,700 dividend	£37,700 dividend	
	£50,000 additional dividend (to fund VCT)	
£3,255 tax due	£20,130 tax due	
	£50,000 dividend invested in a VCT	
	£15,000 30% tax relief	
£3,255 net tax paid	£5,130 net tax paid	
£47,015 cash available	£45,140 cash available	£50,000 VCT investment

Tax rates and allowances are correct for the tax year 6 April 2024 - 5 April 2025. 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.

Clients looking to transfer wealth from their pension tax efficiently



- Cynthia, a 72 retiree, spent her career building up a large pension worth £1 million, which she had planned to preserve as a tax efficient way to pass wealth to her children.
- From April 2027, unused pensions will be brought into the taxable estate for IHT purposes.
- Cynthia is now considering to annually withdraw from her pension and gift the value to her children but is concerned about the potential tax implications of doing so.

Based on her profile, Cynthia's adviser suggests withdrawing funds from her pension and using the proceeds to invest in a VCT and use the VCT tax free dividend income to gift to her grandchildren.

Clients looking to transfer wealth from their pension tax efficiently

If tax free cash is still available in the pension

£50,000 extracted from pension

£15,000 tax due on pension:
25% tax-free, 75% at higher rate

Invests £35,000 in a VCT

£10,500 tax relief

£45,500
Value remaining after tax relief

After 5 years, Cynthia can sell her VCT shares with no tax to pay on sales proceeds.

We have assumed no investment loss or gain in this example, nor the effect of any charges.

Resources



New to VCTs? Not sure where to start? Or how to recommend your first case?

The Octopus Investments VCT Academy is here to help – your starting point for understanding and confidently recommending Venture Capital Trusts.

Designed for advisers new to VCTs, the Academy offers CPD-qualifying videos, tools, and resources to help you understand VCT tax reliefs, assess client suitability, and effectively navigate conversations with clients.

[Explore the VCT Academy](#)

Resources

An Octopus guide

For UK investors only.



Venture Capital Trusts

For professional advisers and paraplanners only.
Not to be relied on by retail investors.

octopus investments
A brighter way

How to add venture capital to a portfolio whilst considering risk

In partnership with Hardman & Co, this guide highlights the growing role of early-stage, unlisted businesses and - taking into account the associated risks - explains how venture capital offers access to high-growth private market opportunities.

Written in partnership with
 **HARDMAN & CO.**



Client planning scenario

For professional advisers and paraplanners only.
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octopus investments
A brighter way



Clients who want to reduce their income tax bill

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

In this tax-planning scenario, we explain how Venture Capital Trusts (VCTs) could be used to reduce income tax.

Guide to Consumer Duty and tax-efficient investments

Experts from PFS, Bankhall, and Hardman & Co. talk Consumer Duty regulation and how you can deliver the best client outcomes



BANKHALL



HARDMAN & CO.

Consumer Duty places focus on delivering good customer outcomes.

Advisers must have robust processes, evidence fair price and value, and demonstrate how they are helping clients achieve their objectives.

Four questions to ask a VCT manager



Thank you

If you need any further information
please call us on 0800 316 2067.

More information is also available at octopusinvestments.com



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