



**THE  
CHARTERED  
INSTITUTE OF  
TAXATION**

**CIOT/ATT East Midlands Branch**

**“Tax Efficient Investing”**

**Presented by Andrew Burt  
Octopus Investments**

**Date:** Wednesday 2 July 2008

**Venue:**

The Novotel Nottingham/Derby  
Junction 25 M1  
Bostock Lane, Long Eaton  
Nottingham

**Timetable:**

6pm – Refreshments and registration  
6.30pm – Lecture begins  
7.45pm - Questions  
8pm – Close

**CPD Hours: 1.5**

Event sponsored by:



Beeston Business Centre, Technology Drive,  
Beeston, Nottingham. NG9 2ND  
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[www.itmakessense.net](http://www.itmakessense.net)  
[sendmeinfo@itmakessense.net](mailto:sendmeinfo@itmakessense.net)

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Please note that past performance is no guide to future performance. The value of an investment may go down as well as up and an investor may not get back the full amount invested. Tax reliefs and rules are subject to change. Investments into a VCT must be retained for a minimum of five years in order to retain the upfront income tax relief and EIS investments must be retained for a minimum of three years in order to retain the upfront income tax relief. The market for VCT or EIS investments may be limited and it could be difficult for an investor to realise their holding. A VCT or EIS investment should be regarded as a long-term investment. The scenarios in this presentation are for illustrative purposes only and may not be relied on. The content of this presentation is based on our understanding of the current HM Revenue & Customs interpretation of tax rules and regulations, which may change. Recipients of this document are reminded that an investment in any product offered by Octopus may only be made on the basis of the information contained in the relevant prospectus or brochure. The tax reliefs available from an investment in a VCT or EIS are dependent on the VCT or EIS receiving and maintaining HM Revenue & Customs approval. Investments made by Octopus will be into companies which we reasonably believe to be qualifying investments (under the relevant rules) at the time of investment but we are not able to make any guarantee of their ongoing qualifying status. Octopus does not provide investment advice. We recommend that any potential investor seeks financial advice from an appropriately authorised person as to whether a particular investment is suitable for them. This presentation is exempt from section 21 of the Financial Services & Markets Act 2000 and is not required to be and has not been approved for the purposes of the Section because it is only being communicated to selected Investment Professionals (as defined under article 19 of the Financial Services & Markets Act 2000 (Financial Promotion Order 2005)). If this document is passed to any other person, you must ensure that you have taken responsibility for it under the financial promotions rules and identified yourself as the issuer. Octopus Investments Ltd is authorised and regulated by the Financial Services Authority.



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**VENTURE CAPITAL TRUST (VCT)  
TAX BENEFITS**

- Upfront income tax relief of 30% of amount invested (provided shares are held for five years)
- All dividends are tax-free
- All capital gains are tax-free



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**VCT  
INVESTMENT RULES**

- 70% invested within three years into qualifying investments
- Companies must have less than £7m of gross assets at time of investment
- Less than 50 full-time employees at time of investment



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## VCT USES

VCTs can be an excellent investment for those seeking:

- A high return/low correlation asset
- To reduce their income tax liability
- To increase their retirement income
- Complement to pension funding and ISA

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## PLANNING IDEA: 'ACCELERATED PENSION PROVISION'

- 'Two step' pension funding
- Invest in VCT/transfer assets to pension
- Results in:
  - Greater tax relief
  - High returns

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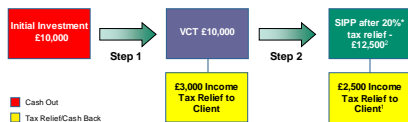
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## PLANNING IDEA: 'ACCELERATED PENSION PROVISION'



■ Cash Out  
■ Tax Relief/Cash Back

Initial cost	£10,000
VCT income tax relief (30%)	(£3,000)
SIPP income tax relief (20%)*	(£2,500)
Net cost of investment (initial cost – tax relief)	£4,500
Value of SIPP after 5 years	£12,500
ANNUALISED RETURN	22.7%

(1) Assumes investor is higher rate tax payer at time of transfer. (2) After a minimum of five years the client makes a transfer of shares to the SIPP.  
\* Change of basic rate tax to 20% as of April 2008

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**ENTERPRISE INVESTMENT SCHEME (EIS)  
TAX BENEFITS**

- Capital gains tax deferral (unlimited)
- 20% income tax relief up to £500k of investment (providing you hold the shares for three years)
- Business property relief - exempt from IHT after two years
- Loss Relief



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**EIS  
USES**

- Mitigating CGT
  - Reducing actual rate of CGT on gains in the last 24 months
- Unlocking portfolios for IHT planning purposes
  - Don't pay one tax to save another
- Income tax relief



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## PLANNING IDEA 'REDUCING CGT RATE'

- Client has realised a gain on assets in the last three years subject to marginal rate of tax of >18%
- To defer gains until after 6 April 2008\*
- Potential CGT savings of up to 22%
- Income tax relief at 20% available on investments up to £400k
- Total tax relief of up to 42%

\* Assumes proposed CGT rate of 18% takes effect after April 2008



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## PLANNING IDEA IHT PLANNING FOR 'PREGNANT' PORTFOLIO

- Client wishes to plan for IHT
- Asset portfolio pregnant with capital gains
- Client thinks paying CGT to 'save' IHT is ludicrous
- Would like to pay neither but likes the income from the portfolio
- Invests into Protected EIS
  - No CGT on portfolio
  - No IHT on portfolio after two years
  - Income tax relief



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## OCTOPUS EUREKA

- EIS portfolio service - invests into AIM listed or private companies
- Managed by Octopus Ventures with strong track record
- Tax relief can be staggered
- All EIS tax benefits plus the possibility of strong growth
- Loss relief on poorly performing investments



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## OCTOPUS PROTECTED EIS

- 'Approved' fund structure
- Risks are reduced by predictable nature of investments and credit insurance
- Liquidity after three years
- Octopus charges AMC only when client receives back their net\* initial investment
- Allows reinvestment opportunity to repeat the income tax relief
- Income tax relief date is certain

\* After payment of initial commission to advisor



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## OCTOPUS INHERITANCE TAX SERVICES



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## INHERITANCE TAX THE PROBLEM

In 2006/07: 40,000 estates paid an average of £88,000 in inheritance tax

Total tax bill of £3.5 billion (source: HM Revenue and Customs)

Estimated to be £4.1 billion in 2007/08.



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## INHERITANCE TAX POTENTIAL SOLUTIONS

### Trusts

- Legally complex (and repeatedly attacked by legislation)
- Loss of control
- Take 7 years to fall outside the estate

### Business Property Relief

- Unlisted shares in trading companies (AIM shares qualify)
- Qualifies once assets held for 2 years
- Control over assets maintained



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## INHERITANCE TAX BUSINESS PROPERTY RELIEF

### Requirements

- Shares must usually be held for a minimum of 2 years
- Ownership must be greater than 2 years within the last 5 years
- Shares held for less than 2 years may still receive some benefits
- Replacement property provision allows the relief to transfer from 'old assets' to 'new assets'

### Other benefits

- The 2 years can be continued between spouses
- Accessible prior to probate



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## INHERITANCE TAX AIM PORTFOLIOS

### Bespoke portfolio service

- Individual portfolios built for each client
- Not a fund or a pooled investment

### Invest in AIM listed companies

- AIM market cap > £85 billion with > 1,700 AIM listed companies
- Proven expertise at Octopus > £120 million invested

Clients retain access to assets at all times

IHT exempt after only 2 years



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## INHERITANCE TAX SERVICE – “ITS” INVESTMENT STRATEGY

Primary motive is capital preservation

- Only invest in established AIM companies (average market cap of model portfolio is > £125 million)
- Diversified portfolio of 25 – 35 companies
- Low portfolio turnover

A portfolio is established quickly for clients

- From pre-selected companies from our universe
- Variation between portfolios depends on relative value at time of purchase



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## INHERITANCE TAX SERVICE – “ITS” PROTECTED OPTION

### Group Life Policy

- No maximum age at entry
- Answering “no” to four simple medical questions allows automatic enrolment into the policy
- Limited underwriting for others

### Capital Protection

- Full protection of gross amount invested on death
- Insurance payout can be written into trust so that it passes straight to beneficiaries with no inheritance tax
- No minimum or maximum holding period

### Reset of Protection

- Protection resets after five years at higher of original investment or 75% of the value of the portfolio



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## INHERITANCE TAX SERVICE – “ITS” SECURE OPTION

Unique product to Octopus:

- BPR qualifying assets, non-AIM based
- Liquid
- Low risk
- Predictable returns with choice of income or capital growth

How It Works:

- Companies produce predictable low risk returns
- Companies invested in seek credit insurance to reduce potential risk
- Monthly redemptions at no discount to NAV (1% dealing charge)



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## INHERITANCE TAX SERVICE – “ITS” OPTIONS

### ITS

- Growth portfolio invested into companies listed on AIM
- No maximum investment
- Minimum investment £30k

### Protected ITS

As above with:

- Group life assurance policy – protects gross amount of initial investment
- Maximum investment £500k

### Secure ITS

- Capital protected without underwriting
- Predictable return as capital growth or income
- No maximum investment
- Minimum investment £30k



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## INHERITANCE TAX SERVICE SUMMARY

All our IHT solutions offer a number of advantages:

Speed : 2 years not 7

Control : access to capital, clients can create “drawdown” levels of income

Growth potential (but with downside protection if required)

Simplicity : easy to use

Option to cover potential IHT on death in first 2 years



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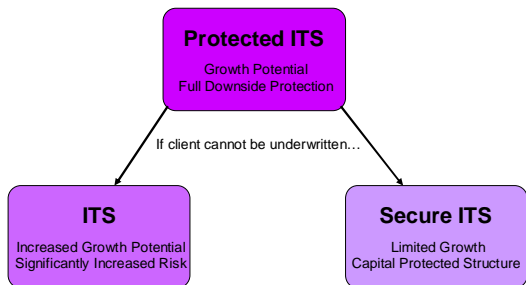
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## INHERITANCE TAX SERVICE SUMMARY



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**working alongside CIOT & ATT members**

- We aim to provide added value for you and your clients and added income for your practice.
- Providing quarterly seminars with guest speakers providing you with insight/CPD
- Estate Planning, Individual and Corporate Tax Planning and offshore investments tailored to fit alongside your advice
- 2007 two accountant practices earned in excess of £10,000 each

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**Pensions Audit Process**

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- Letter Of Authority
- Cost/Charges Analysis
- Provider Research
- Fund Research
- Full Analysis/Report
- Accountant/Adviser discussion

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- Permission to speak to Client
- Client Meeting
- Discuss concerns
- Attitude to investment risk assessment
- Agree a way forward and a timeframe
- Third party checking process
- Execute advice/plan

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- Example 1
- Miss W Age 46nb retire 60/65 Graphic designer own business approx £45k pa
- No idea of state provision
- 3 pension plans Plan A £8,100 Plan B £32,600 Plan C £29,100 paying £345 per month
- Plan B subject to reattribution of profits
- Value of current A&C at 60 £211,000
- Value if transferred £229,000

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- Example 1 (Cont)
- **Fund Comparison (over 5 yrs to March 2008)**

Provider	UK Equity	Managed	Europe	Ethical
Plan A	74%	63%	N/A	N/A
Plan C	78%	72%	132%	82%
New provider	87%	79%	152%	109%

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- Example 2
- Mr S Aged 53nb to retire 65
- Retired living on investment income
- Has pension valued at £110,000 transfer value £108,000
- Pension fund valued at retirement £210,000
- If transferred value at retirement £217,000
- **Fund Comparison irrelevant?**

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- **Old Style pension charges**
- 5% bid/offer spread
- £4 per mth policy fee
- Annual Management Fees between 1% & 6% per annum
- With profits funds and ZERO bonus trap

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- **New Style pension**
- 1%-1.5% annual management charge
- No exit penalties
- Wider fund range
- Flexibility

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- **Benefit**
- No cost to client
- Income generated to accountancy practice
- Your client relationship enhanced

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- Value added benefit for your clients?
- Value added value for you and your business?
- Firstly think about your clients with pensions
- Finally think about your pension!

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Professional connections with  
professional people



Sense Financial Solutions Limited is an appointed representative of  
Mint Financial Services Limited, which is authorised and regulated by the Financial  
Services Authority  
The Financial Services Authority does not regulate all areas of inheritance tax planning

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## EAST MIDLANDS CIOT & ATT – Events for 2008/2009

Date	Details	Timetable	Venue
Tuesday 9 September 2008 6pm to 8.30pm Cost: Free CPD Hours: 2	<b>Networking...building alliances</b> Proactive Reputation Management Joint Event with ACCA	6.30pm - Registration & refreshments 7.00pm - Lecture starts 8.45pm - Questions & informal discussion 9.00pm – Close	Park Inn Mansfield Road Nottingham
Tuesday 30 September 2008 4.00pm – 8.00pm <b>Cost: £40.00</b> CPD Hours: 3	<b>The New Capital Allowances Regime</b> Robert Jamieson MA FCA CTA (Fellow) Mercer Hole Past President of the Chartered Institute of Taxation	4.00pm - Registration & refreshments 4.30pm - Lecture starts 6.00pm - Break for refreshments 6.15pm - Lecture resumes 8.00pm – Close	Comfort Inn A46 Fosse Way Upper Broughton Leicestershire
Wednesday 22 October 2008 1.45pm – 5.15pm <b>Cost: £40.00</b> CPD Hours: 3	<b>Residence &amp; Domicile – the changing landscape</b> Mike Truman LLB FCA CTA (Fellow) MSFA Editor of Taxation magazine <b>Branch AGM 1.30pm to 1.45pm</b>	<b>1.30pm – Branch AGM</b> 1.45pm - Registration & refreshments 2.00pm - Lecture starts 3.30pm - Break for refreshments 3.45pm - Lecture resumes 5.15pm – Close	The Quality Hotel Junction 23 M1 New Ashby Road Loughborough
Wednesday 26 November 2008 4.00pm – 8.00pm <b>Cost: £40.00</b> CPD Hours: 3	<b>Latest tax issues affecting owner-managed businesses</b> Chris Jones BA CTA (Fellow) ATT Lexis Nexus	4.00pm - Registration & refreshments 4.30pm - Lecture starts 6.00pm - Break for refreshments 6.15pm - Lecture resumes 8.00pm – Close	The Novotel Nottingham/Derby Junction 25 M1 Bostock Lane Long Eaton Nottingham
Tuesday 9 December 2008 6.00pm – 8.00pm <b>Cost: £15.00</b> CPD Hours: 1.5	<b>The New Penalty Regime &amp; Tax Investigations Update</b> <b>Paul Lynam</b>	6.00pm - Registration & refreshments 6.30pm - Lecture starts 7.45pm - Questions & informal discussion 8.00pm – Close	PricewaterhouseCoopers Offices Donington Court Pegasus Business Park Castle Donington, Derbyshire
Tuesday 10 February 2009 4.00pm – 8.00pm <b>Cost: £40.00</b> CPD Hours: 3	<b>Charity Update – accounts, law &amp; tax</b> Rebecca Benneyworth BSc FCA Tax writer & lecturer Lexis Nexis Tax Lecturer of the year 2007	4.00pm - Registration & refreshments 4.30pm - Lecture starts 6.00pm - Break for refreshments 6.15pm - Lecture resumes 8.00pm – Close	The Novotel Nottingham/Derby Junction 25 M1 Bostock Lane Long Eaton Nottingham
Tuesday 10 March 2009 4.00pm – 8.00pm <b>Cost: £40.00</b> CPD Hours: 3	<b>Property Tax Update</b> <b>By Brian Ogilvie FCCA CTA</b> <b>Freelance Tax Lecturer &amp; Consultant</b>	4.00pm - Registration & refreshments 4.30pm - Lecture starts 6.00pm - Break for refreshments 6.15pm - Lecture resumes 8.00pm – Close	Comfort Inn A46 Fosse Way Upper Broughton Leicestershire
Wednesday 22 April 2009 4.00pm – 8.00pm <b>Cost: £40.00</b> CPD Hours: 3	<b>The Interaction between Accounting Standards &amp; Tax</b> <b>By Andrew Guntert MSc FCA</b> <b>Lecturer for Mercia</b>	4.00pm - Registration & refreshments 4.30pm - Lecture starts 6.00pm - Break for refreshments 6.15pm - Lecture resumes 8.00pm – Close	Premier Inn, Braunstone Lane East Leicester
Wednesday 20 May 2009 4.00pm – 8.00pm <b>Cost: £40.00</b> CPD Hours: 3	<b>Finance Bill 2009</b> Mark Morton BA ATII ATT Senior Tax Lecturer for Mercia	4.00pm - Registration & refreshments 4.30pm - Lecture starts 6.00pm - Break for refreshments 6.15pm - Lecture resumes 8.00pm – Close	Comfort Inn A46 Fosse Way Upper Broughton Leicestershire
June 2009 6.00pm – 8.00pm <b>Cost: £15.00</b> CPD Hours: 1.5	<b>Topical Tax Issues</b> Andrew Hubbard BMus PhD ATT CTA (Fellow) Tax Director, Tenon Group PLC Past President of the Association of Taxation Technicians	6.00pm - Registration & refreshments 6.30pm - Lecture starts 7.45pm - Questions & informal discussion 8.00pm – Close	PricewaterhouseCoopers Offices Donington Court Pegasus Business Park Castle Donington, Derbyshire

**The Branch Committee reserves the right to alter the above programme without prior notice.**

For more details of any of the above events or to book a place please contact the Branch Secretary, Martin Tomes at Greenhalgh & Co. 2A Peveril Drive, Nottingham. NG7 1DE

Telephone: 0115 985 9517 or E-mail: [martin.tomes@greenhalghco.net](mailto:martin.tomes@greenhalghco.net)