



## Octopus Inheritance Tax Service: an overview

A tax-efficient, flexible investment that can help clients pass on more wealth to their loved ones.

### How does it work?

Our discretionary portfolio service invests in one or more unlisted UK companies operating in sectors that make a valuable contribution to the UK. We select companies expected to qualify for Business Property Relief (BPR), a government-approved relief from inheritance tax. Shares in a BPR-qualifying business can be left to beneficiaries free from inheritance tax, provided they have been owned for at least two years and are still held at the time of death.

We only invest in companies we believe are capable of delivering a modest and predictable level of long-term growth. We target an average annual growth of 3% for investors net of our annual management charge (on the amount invested after initial charges and initial dealing fee), compounded over the lifetime of the investment. We only take our annual management charge after the investor or their beneficiaries asks us to sell shares, and we only take our full annual management charge if our target return has been met.

We will keep investors updated on your investment by sending them regular reports.

### Fees and charges

- Octopus initial charge: 2%.
- Annual management charge (deferred and contingent): Up to 1%+VAT per annum.
- Dealing fee (for investments and withdrawals): 1%.
- Adviser initial charge and ongoing fee: Agreed with your client.

### Key benefits

- **Speed:** Shares can be left free from inheritance tax provided they have been held for at least two years when the investor dies. We have never faced a known challenge from HMRC on the inheritance tax relief qualification of an investment to date.
- **Control and access:** Investors can request withdrawals whenever they want. They also have the option to set up regular withdrawals.
- **Long-term sustainable growth:** The companies we invest in carry out a range of different trades in order to target 3% growth per annum over the long term for investors.
- **Liquidity:** We aim to give clients access to their money within a month of their request. Withdrawal requests are typically met within ten days, and have never taken longer than three weeks.

### Key risks

- **Capital is at risk:** The value of an investment, and any income from it, could fall or rise. Investors may not get back the full amount invested. The 3% per annum target return for investors is not guaranteed.
- **Liquidity:** Shares in unquoted companies can be harder to sell than shares listed on the London Stock Exchange.
- **Tax rules:** We invest in companies that we believe qualify for BPR. Tax rules could change in the future and tax treatment depends on individual circumstances. The value of tax reliefs will depend on the portfolio companies maintaining qualifying status.

For full details of the fees, charges and risks, **please read the Octopus Inheritance Tax Service brochure.**

0800 316 2067 | [support@octopusinvestments.com](mailto:support@octopusinvestments.com) | [octopusinvestments.com](https://www.octopusinvestments.com)

## Examples of clients who might consider this service

**These products are not suitable for everyone. Any recommendation should be based on a holistic review of clients' financial situation, objectives and needs.**

### 1 Clients who want to keep control over their money

Investments are held in the client's name, meaning they remain in control of their wealth. Investors can request withdrawals at any time, even setting up regular withdrawals if required. There is no additional charge to do this and it typically takes just ten days for us to set up.

### 2 Clients who are elderly or in poor health

An investment in the Octopus Inheritance Tax Service aims to be exempt from inheritance tax after just two years, if held at time of death. There are no restrictions on who can apply, and no medical underwriting. Following the death of an investor, we can make life easier for the executors by selling some or all of the investment and paying the proceeds directly to HMRC to settle any other inheritance tax due.

### 3 Clients subject to power of attorney

Where a lasting power of attorney is in place, the ability to make gifts is very limited without approval from the Court of Protection. However, this is simply an investment in shares that remain the property of the investor. Around a fifth of Octopus Inheritance Tax Service investors are the subject of a lasting power of attorney.

### 4 Clients who want to set up a discretionary trust

Where a client places assets in excess of the nil-rate band into a discretionary trust, a lifetime transfer charge of 20% is immediately due. However, if a client has held their investment in the service for at least two years, they can set up a trust without incurring any such charge. Trustees who want to plan for periodic or exit charges could benefit from investing as well.

### 5 Clients who have recently sold a business

When a client sells their own BPR-qualifying business, the proceeds will be subject to inheritance tax if held as cash or other taxable assets at the time of death. By reinvesting into the Octopus Inheritance Tax Service, the investment will immediately be inheritance tax-free. This reinvestment can take place up to three years after the sale of a BPR-qualifying business.

### 6 Clients that own their own company

Where a company holds significant non-trading assets, such as cash, it can start to have its entitlement to BPR restricted or completely removed. We offer BPR-qualifying investments that can be attractive to companies looking to deploy surplus cash and restore valuable tax reliefs.

### 7 Clients with existing loan trusts

Any growth in the value of trust property will be immediately outside of the estate of the settlor and is therefore free from inheritance tax. However, the initial loan capital is not. If the initial loan is repaid and invested in the Octopus Inheritance Tax Service, after two years this amount would qualify for relief from inheritance tax as well.

### 8 Immediate post death interest trusts (IPDI)

The property from an IPDI trust will form part of the estate of the life tenant when they pass away, often leaving them little or no inheritance tax nil-rate band for their own estate. If the trust invests in the Octopus Inheritance Tax Service, the investment will be exempt from inheritance tax after two years. This means the nil-rate band can be used against other assets in the life tenant's estate.