

Tax-Efficient

INVESTMENT MAGAZINE

Supporting smarter advice through early-stage investment strategies



TAX YEAR END: KEY ADVISER CONSIDERATIONS

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Editor: Matt Williams
matt.williams@ifamagazine.com

Publisher: Peter Carey
peter.carey@ifamagazine.com

Design: Becky Oliver

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Welcome

Hello and welcome to the first issue of Tax-Efficient Investment (TEI) Magazine of 2026. It has already been a busy start to the year for us at TEI: last month we published our annual *Insights* report, and we have also released two TEI specials in our *IFA Talk* podcast series.

Turning to this issue, the magazine is once again packed with exclusive and informative content from across the tax-efficient investment landscape. As tradition dictates, we begin with our Director and Managing Partner, Paul Wilson, who shares his reflections ahead of the new tax year, looking back on 2025-26 and considering the implications of the recent Budget.

We then hear from another familiar voice at TEI, with an exclusive interview with Christiana Stewart-Lockhart of EISA. She reflects on how the 2025-26 tax year unfolded for EIS and SEIS, before offering her thoughts on what advisers should be watching in the weeks ahead.

Building on this, we asked a range of industry experts what advisers should be considering as the new tax year approaches. Their insights form a two-part series: the first focuses on EIS, SEIS and VCTs, while part two, later in the magazine, explores business relief, IHT and other specialist investment opportunities.

We also feature Jon Prescott of PXN Investments, who examines the April 2026 rule changes, explains

what they mean in practice, and considers how the evolving landscape may affect advisers looking ahead.

Staying with VCTs, Fraser Mackersie of Unicorn shares his perspective on what to watch in 2026, offering a clear overview of the current VCT environment alongside practical considerations for advisers. Meanwhile, Toyin Oyenyin of Octopus Investments outlines smart approaches to tax year-end planning, with a timely reminder not to leave preparations too late.

Following part two of our expert commentary series, Harry Morrison of MICAP provides his tax year-end toolkit, highlighting some of the most significant IHT changes from the past two Budgets and sharing his expectations for 2026 and beyond.

Finally, Nick Priest of Downing explores the changing landscape of inheritance planning and business relief, drawing on the findings of a recent study.

I hope you enjoy this issue of TEI Magazine, and I look forward to bringing you many more instalments as 2026 unfolds. In the meantime, do explore the latest special episodes of *IFA Talk*, available via the podcast section of our website. [TEI](#)

Matt Williams
Tax-Efficient Investment Magazine Editor

Supporting smarter advice through early-stage investment strategies

Tax-Efficient Investment Magazine (TEI) is a sister title of IFA Magazine, bringing financial advisers and their teams all the latest news and views from the world of tax-efficient and early-stage investments. Whether it's EIS, SEIS, AIM, VCTs or early stage ventures, we've got you covered. We also host regular special TEI episodes of our hit IFA Talk podcast series.

Across our website, regular magazines and podcasts, we feature insights from key industry experts exploring the big issues shaping the tax-efficient and early-stage investment landscape; covering details that impact advisers and their clients alike.

Editorially, we aim to highlight the value of tax-efficient investments and alternative early-stage investment opportunities. We shine a light on the contribution these types of investments make to society, the economy and business ownership, in addition to the tax advantages for clients who may benefit from having such investments as part of their overall portfolio. We also focus on the higher risk nature of such investments as well as balancing the need for tax-efficiency along with long term capital growth and/or income which they can deliver.

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THE LONG GAME

IN PATIENT CAPITAL AND LONG-TERM INVESTMENT STRATEGY

As we sit firmly in 'tax season', it is an opportune time to pause for a few moments and reflect on how we arrived at this point. **Paul Wilson**, Director and Managing Partner at Tax-Efficient Investment (TEI) Magazine suggests that there are clear messages that the patient capital sector is valued, stable and part of the government's long-term investment framework, while advisers also face a short window to utilise the current 30% income tax relief on VCTs before it falls for the 2026/27 tax year.

This period provides an opportunity to begin laying the foundations for 2026/27 investment allocation and portfolio rebalancing, particularly as the scope of incentives now extends to larger and slightly more mature companies than before.

Now is the ideal time for planning allocations and developing informed, independent thought leadership with clients.

THINKING BY TAX YEAR

Financial advisers tend to think and act in tax years, with 6 April firing the gun on a new year and the following 5 April acting as a hard deadline to complete allocations. This year, a relatively late Budget announced a one-third reduction in the upfront income tax relief for VCTs, effective from 6 April, accentuating the rush to complete VCT investments ahead of the looming deadline.

For investors, getting ahead of the pending reduction in VCT income tax relief is vital. Research and execution are therefore key, and resources such as platforms help make this process seamless and integrated.

For many years, the patient capital market has benefited from a period of relative stability. Most policy changes have confirmed and incrementally enhanced the volume and scope of these products. There have, of course, been adjustments designed to restrict the potential for abuse, but broadly



speaking the macro landscape has remained benign for investors, advisers and fund managers alike.

The 2023/24 extension of the maximum amount a company can raise under SEIS from £150,000 to £250,000, alongside the extension of the trading age requirement to under three years rather than two, had a noticeable allocation-displacement effect. Approximately 12% less capital was invested into EIS, with funds instead diverted into the more generously incentivised SEIS opportunities available at the time.



This serves as clear evidence that markets respond to incentives. Overall, however, the net effect has been increased incentive to invest and an expanded scope for doing so. This remains a growth sector.

BEHIND THE BUDGETS

The change of government in July 2024 created a degree of apprehension ahead of the October 2024 Budget, which was extensively 'market-tested' through the leakage of potential changes.

This suppressed activity in a small but material way. In the event, as far as patient capital was concerned, the Budget itself proved relatively benign, focusing on stability and confidence by extending the sunset clauses by a further ten years and reinforcing incentives to offset the increases in capital gains tax (CGT) rates announced elsewhere in the statement.

The November 2025 Budget was again subject to extensive leakage, with more than 15 potential changes trailed in the seven weeks leading up to



it, once again dampening activity. The Office for Budget Responsibility's accidental early publication of the Budget concluded a period during which Budget purdah had been comprehensively devalued. While speculation may assist in shaping policy, it is rarely helpful for business planning.

The most significant recent change to patient capital has been the announcement that VCT income tax relief will reduce from 30% to 20% from 6 April 2026.

This is likely to provide a short-term boost to the current tax season as investors bring forward allocations that might otherwise have been made in the next tax year. However, the extent to which this change displaces investment that would otherwise have flowed into EIS or SEIS during the current year remains uncertain.

Looking ahead, there is hope that, with two tax-raising and politically challenging Budgets now behind us, renewed confidence in the policy framework will encourage a more constructive approach to investment. Alongside the enhanced relative value of CGT benefits across all three products, this could result in a greater overall allocation of capital to the sector. As noted earlier, incentives matter, and aside from the reduction in VCT relief, the government has largely delivered them.


LOOKING AHEAD TO 2026/27

So where does this leave us as we approach 2026/27? The headwinds of conflict in Ukraine and Gaza, energy-price shocks, and shifts in US political and economic policy appear to have at least a reasonable chance of moderating. Recent



geopolitical theatre, including developments around Greenland at the time of writing, has been handled with relative pragmatism as policymakers adapt to a changing global environment. In short, the world is adjusting, and a return to more familiar business conditions may be emerging.

Against this backdrop, the growth potential associated with AI suggests that we may be at the beginning of a new expansionary phase. Patient capital is well placed to support this transition, offering tax-efficient shelter for client investments, the potential for attractive returns, and vital funding for the UK's start-up and scale-up ecosystem.

For those who lend credence to Strauss-Howe's generational theory, with its 80-year generational cycles, or to 40-year Kondratiev cycles, both frameworks point towards a period of transition around the present time. Whatever perspective one adopts, these are undeniably interesting times, and periods of change have historically been fertile ground for opportunity. 

**By Paul Wilson,
Director and Managing Partner at TEI Magazine**



About Paul Wilson

Paul is Director and Managing Partner at Clifton Media Lab, the organisation which sits behind TEI Magazine, as well as its sister titles IFA Magazine and Wealth DFM.

Paul is a serial entrepreneur who has built and sold a regional IFA business and an M&A business, as well as founding and successfully disposing of businesses in other sectors such as advanced materials, construction and development.

Within the advice sector, Paul has worked as an adviser, progressing via compliance and, unusually, also via sales management to the senior management of a large national advice firm before co-founding a regional IFA firm.

On disposal of that, he assisted in the founding of IFA Magazine, later taking that over. His personal interests are in film, in which he completed an MA ten years ago, as well as art, photography, economics and science.



EIS AND SEIS IN FOCUS: **RENEWED OPTIMISM** AMIDST POLICY CHANGES

In this exclusive interview with Tax-Efficient Investment (TEI) Magazine, **Christiana Stewart-Lockhart**, Director General of the EIS Association (EISA), joins us to share her expert insights on EIS and SEIS.

She reflects on how the 2025-26 tax year went for EIS and SEIS, along with the effects of the recent Budget. She also looks ahead to the new tax year, outlining what investors and advisers need to be thinking about in the coming weeks, and what she expects to happen in 2026 and beyond.

TEI: HOW DID THE 2025-26 TAX YEAR GO FOR EIS/SEIS?

CHRISTIANA: The 2025-26 tax year delivered a mixed but encouraging picture for the UK's tax-advantaged investment schemes. We have not seen the record-breaking highs of the covid years, likely due to ongoing macroeconomic uncertainty and the impact of a late Budget, however 2026 has got off to a great start, with renewed momentum, more interest from first-time EIS investors, as well as IFAs considering EIS for a wider range of clients. The increasing importance of the EIS, particularly given

changes to pensions and IHT, has been recognised by a wider number of investors and the Government has been keen to emphasise its crucial role in supporting UK growth.

We saw an increase in exits in 2025 which has improved sentiment. At the same time, investment through the SEIS significantly increased, building on the increased limits introduced in April 2023 and attracting both new capital and a broader investor base. This underscores how targeted policy reform can materially broaden access to investment at the earliest stages of the growth journey.



The quality of companies coming through remains high and the UK is a world leader when it comes to talent and innovation. Recent data from Beauhurst's The Deal highlights continued strength with the number of first-time deals in 2025 increasing by 23.6% year on year, and the amount raised into UK companies in 2025 increasing by 3.34% compared to last year.

TEI: WITH THE TAX YEAR END APPROACHING, WHAT SHOULD INVESTORS BE PRIORITISING IN THE FINAL WEEKS TO AVOID MISSING VALUABLE RELIEFS?

CHRISTIANA: As the tax year end approaches, focus on preparation and understanding the practicalities of how EIS and SEIS investments work is key. For those considering investing through the EIS or SEIS, the EIS Association has a range of resources available on our website, and we also regularly run free webinars for investors and advisers looking to build their understanding of the schemes.

From a practical perspective, it is helpful for investors to engage early with fund managers to understand deployment timelines, as well as the

administrative differences between EIS funds and Knowledge Intensive EIS funds. It is also important to ask questions about the underlying investee companies, ensuring there is a clear understanding of the strategy, sectors and stages being supported.

Finally, it's important for financial advisers to understand how the available tax reliefs operate in practice, including the use of carry-back, and how these interact with clients' wider investment positions. Early conversations can help ensure that clients are able to benefit from diversifying investment to early stage UK businesses whilst ensuring they are able to utilise the relevant tax reliefs available.

TEI: LOOKING BACK AT THE BUDGET, HOW MUCH CHANGE HAVE YOU SEEN OVER THE LAST FEW MONTHS?

CHRISTIANA: It was fantastic to see the Government announce increases to the EIS and VCT limits in the 2025 Budget. This will crucially enable the schemes to better support scaling



businesses across the UK and will be particularly important for deep tech and life sciences scale ups.

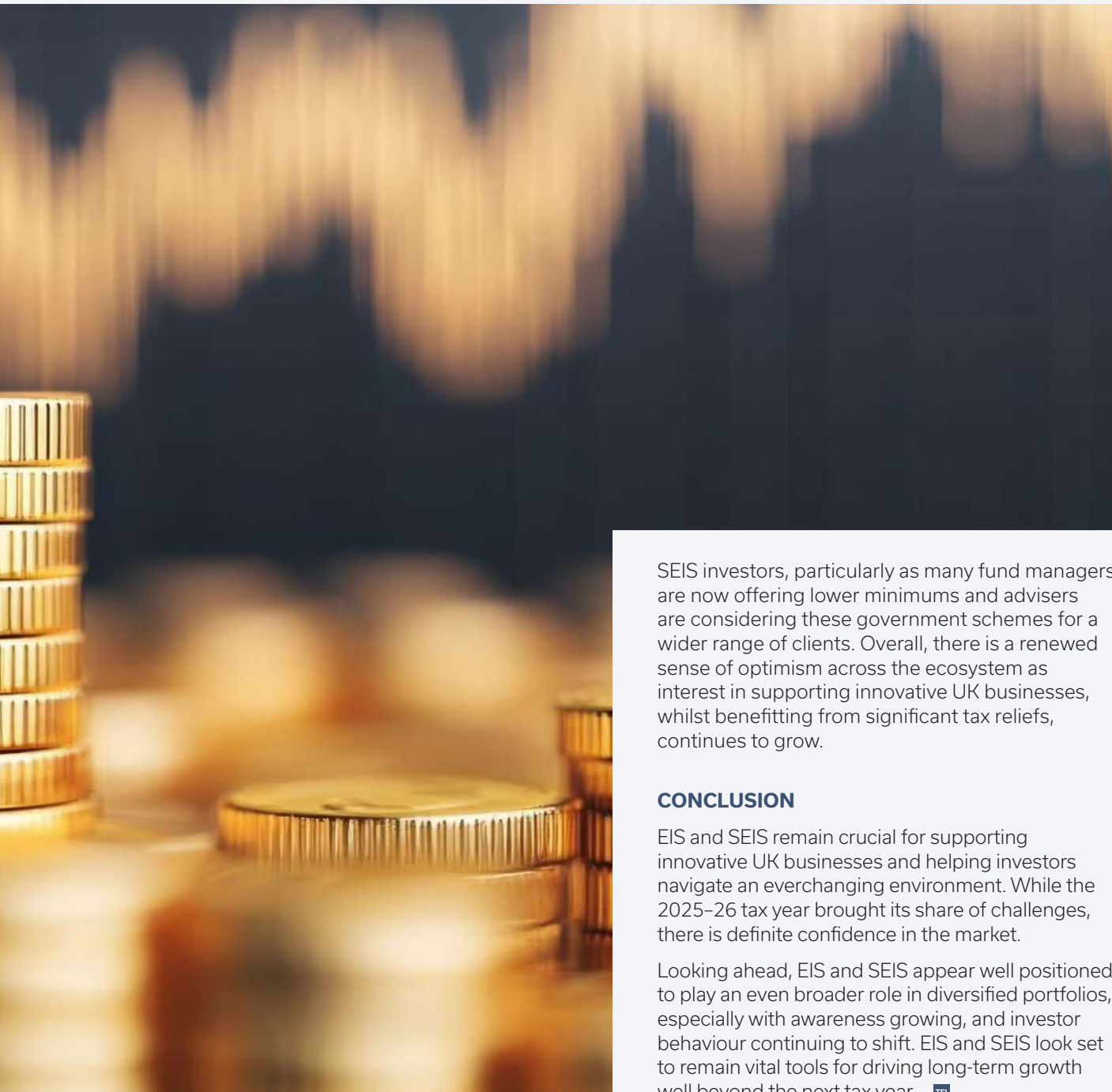
On the investor side, we're starting to see a significant shift in behaviour. Advisers are increasingly discussing EIS with a broader range of clients, and new investors are considering the EIS and SEIS as part of a diversified portfolio. This is particularly noticeable when considering the recent policy announcements affecting pensions, IHT and VCTs. There continues to be a strong emphasis on backing high-quality, innovation-led companies, reflecting the depth of opportunity in the UK's growth ecosystem.

According to Financial Times, the number of UK workers expected to earn six-figure salaries is

set to exceed 2 million for the first time this year, illustrating how fiscal drag and income growth are potentially influencing investment behaviour.

TEI: WHAT CHANGES TO THE INVESTING LANDSCAPE DO YOU FORESEE IN THE NEW TAX YEAR?

CHRISTIANA: Looking ahead to 2026/27, the EIS and SEIS are likely to continue democratising access to early stage investing, with the schemes being considered for a wider range of clients. Geopolitical uncertainty affecting markets more broadly also means that this asset class is likely to be an important tool for diversification. I expect (and we are already seeing) stronger engagement



from both new investors and advisers, as awareness of the schemes continues to grow. Investors are also taking a more active interest in the underlying companies they support, ensuring they understand the sectors and stages being backed.


We also anticipate continued regional diversification, with capital reaching innovative businesses outside traditional 'Golden Triangle' hubs. Exits remain an important driver of confidence, demonstrating the potential returns these schemes can deliver over the longer term.

With the number of UK workers earning six-figure salaries expected to exceed 2 million for the first time, we may see an expanding pool of EIS and

SEIS investors, particularly as many fund managers are now offering lower minimums and advisers are considering these government schemes for a wider range of clients. Overall, there is a renewed sense of optimism across the ecosystem as interest in supporting innovative UK businesses, whilst benefitting from significant tax reliefs, continues to grow.

CONCLUSION

EIS and SEIS remain crucial for supporting innovative UK businesses and helping investors navigate an everchanging environment. While the 2025-26 tax year brought its share of challenges, there is definite confidence in the market.

Looking ahead, EIS and SEIS appear well positioned to play an even broader role in diversified portfolios, especially with awareness growing, and investor behaviour continuing to shift. EIS and SEIS look set to remain vital tools for driving long-term growth well beyond the next tax year. 



About Christiana Stewart-Lockhart

Christiana is Director General of the EIS Association (EISA), the trade body for the Enterprise Investment Scheme (EIS) and the Seed EIS ecosystem. EISA has more than 400 members, including entrepreneurs, advisers and investors using the schemes. Christiana previously spent more than a decade working in Westminster and holds a BA in Politics from the University of York.

She was included on the 2025 Women in Trade Associations Powerlist and is a member of TISA's Financial Education Council. She also sits on the Advisory Board for the APPG for Entrepreneurship.



PART 1: KEY ADVISER CONSIDERATIONS

AHEAD OF TAX YEAR END, ACCORDING TO THE EXPERTS

With significant tax changes on the horizon, advisers and investors are reassessing the role of tax-efficient investments in portfolio and estate planning.

From 6th April 2026, the rate of upfront income tax relief on VCT investments is set to fall from 30% to 20%. Meanwhile, recent rule changes have expanded the amount that VCTs and EIS-qualifying companies can raise.

Then, looking further ahead, proposals to bring pensions within the scope of inheritance tax from April 2027 are expected to impact the use of EIS, VCT and Business Relief as part of long-term strategies.

In the first part of this series, we asked experts from the tax-efficient investment space to share what they think investors and advisers should be doing in the coming weeks, in relation to EIS/SEIS and

VCTs. Later on in this magazine, we'll also hear from experts on BR and IHT.

Richard Roberts, Head of Sales Development, Foresight Group, said:

"This is a real 'last orders' moment for 30% income tax relief on VCTs, so advisers will be encouraging clients to act now. Meanwhile, the larger, more established VCTs are seeing record fundraising, and capacity is being taken up quickly.

"With availability disappearing fast, leaving planning until the 11th hour could mean that clients face a limited choice of offers. Advisers should also work closely with VCT managers to understand the Budget changes to VCT and IHT legislation.



Susie Harris, Director of Business Development at Parkwalk, said:

"Investors and advisers should consider how Knowledge Intensive (KI) EIS funds can play a central role in tax-efficient planning. They back research-rich, IP-driven companies with strong commercial potential, giving investors exposure to high-growth innovation as well as tax benefits.

"This is increasingly relevant as pension allowances tighten and VCT income tax relief rates are set to fall. We expect continued strong demand for EIS, particularly KI EIS, as investors seek both tax efficiency and access to the UK's expanding pipeline of cutting-edge technologies coming from our UK universities."

Jason Druker, Chief Commercial Officer at SFC Capital, said:

"As unused pension pots become increasingly factored into IHT planning, more advisers are looking at SEIS and EIS to mitigate the tax burden."

"SEIS and EIS continue to offer attractive tax breaks, but diversification is essential. Late-year contributions can create operational bottlenecks, with allocations, paperwork, and transfers all requiring lead time. Advisers should remember that both SEIS and EIS permit carry-back of relief to the previous tax year, which can cut the tax bill further.

Kristy Barr, Co-Head of Retail at Octopus Investments, said:

"We suggest advisers look more closely at BR and VCTS, both of which provide the opportunity

for investors to help support innovate smaller companies to create job, prosperity and economic growth across the UK.

"It is clear that effective tax planning remains crucial in helping clients navigate an increasingly complex landscape. From making the most of key allowances to exploring specialist tax-efficient investments like VCTs and Business Relief, there are plenty of opportunities to mitigate tax liabilities while driving long-term financial growth."

Diana French, Chief Commercial Officer - Retail Distribution at Triple Point, said:

"Tax year end is a good prompt to sense-check that clients are making full and appropriate use of the allowances available to them, and that tax planning remains aligned with their objectives, time horizon and risk appetite.

"For investors for whom VCTs are suitable, timing of subscriptions, availability of capacity and pipeline planning are all important considerations for advisers and clients. Looking ahead, the upcoming changes may prompt some clients to revisit their wider estate planning, including whether existing arrangements remain fit for purpose."

James D'Mello, Head of IFA Distribution at Fuel Ventures, said:

"The key for investors and advisers is to plan early and prioritise properly. VCT and (S)EIS remain highly relevant for the right clients, and I expect SEIS and EIS to remain strong.

"I'm concerned about the proposed reduction in VCT income tax relief, as it will likely reduce demand, particularly amongst the clients who balance the tax relief incentive with allocating meaningful capital to higher-risk growth assets.

"That has a wider knock-on effect. Fewer funds raised means fewer deployments, and ultimately less capital flowing into UK start-ups. It also risks shifting investor appetite away from diversified VCT strategies and back towards more mainstream options, which arguably does nothing for UK innovation or job creation."

Olivia Wing, Community Development Manager at Enterprise Investment Scheme Association (EISA), said:

"The Government's continued recognition of the benefits of the EIS has been consistently demonstrated, including the recent announcement in the Autumn Budget to raise the EIS company investment limits.

"This support can help advisers plan with greater confidence. Being aware of the upcoming changes,



as well as suitably managing risk and how the schemes can support diversification, are important for investors and advisers as we approach the new tax year."

Ewan MacKinnon, Partner at Maven, said:

"VCTs and EIS remain compelling opportunities for suitable investors to benefit from generous tax reliefs, and recent changes to the rules governing VCT investments recognise the vital role these vehicles play in supporting early-stage and scaling businesses.

"While the reduction in upfront VCT relief was disappointing, the ability to access tax-free dividends and CGT-free growth remains attractive, and the opportunity remains for investors to maximise relief under current rules."

Andrew Aldridge, Chief Operating Officer, Deepbridge Capital, said:

"The forthcoming reduction in VCT income tax relief might encourage a 'fill your boots' approach to VCTs during the remainder of the 2025/26 tax year. However, it's important to consider whether EIS should have a more prominent role in portfolios.

"One of the most powerful and often overlooked benefits of EIS is CGT deferral relief, which can defer gains realised in the previous three years and gains arising up to one year after the EIS shares are

issued, while inheritance tax considerations further strengthen the case."

Trevor Hope, CIO, Baronsmead VCTs, said:

"For higher-rate taxpayers with appropriate risk tolerance and time horizon, VCTs can be worth considering as part of a broader plan. The 2025 Budget was largely supportive of the VCT ecosystem, but it also proposed a reduction in upfront VCT income tax relief.

"We think that policy momentum should help sustain a healthier funding runway for scale-ups, and we expect continued demand for well-diversified, actively managed VCT strategies."

Damon Bonser, CEO of British Design Fund, said:

"We are seeing some investors look to rebalance capital across the early-stage stage tax efficient investment landscape, particularly as VCT and EIS income relief is decoupled. A strengthened position on immediate relief and the continuation of 2023's doubling of the SEIS annual investor limit to £200,000 is seeing some investors take a closer look at how funds operating coupled. A strengthened position on immediate relief and the continuation of 2023's doubling of the SEIS annual investor limit to £200,000 is seeing some investors take a closer look at how funds operating across



both SEIS and EIS fit within the evolving landscape. standing government initiative, SEIS may provide a range of potential tax reliefs, but it's essential that individuals fully understand both the risks and the available reliefs before making any decisions."

Shane Elliott, Partner at Beringea, said:

"For experienced investors who have fully utilised ISAs and pensions, VCTs and EIS offer significant income tax relief. However, both VCTs and EISs come with higher risk. For clients already considering VCTs as part of a wider strategy, the planned reduction from April 2026 may bring forward decision-making."

William Horlick, Head of VCT at Molten Ventures, said:

"Investors have an opportunity to combine exposure to innovative technology with valuable tax reliefs, providing not only protection from increased taxation, but also a gateway to sectors shaping the future. VCTs and EIS have historically delivered substantial incentives and have channelled billions into Britain's most promising tech ventures."

Nicholas Hyett, Investment Manager at Wealth Club, said:

"The leadup to tax year end is all about VCTs. Upfront income tax relief is set to fall to its lowest level in over 20 years, which we expect will create a rush for the best offers."

"We also expect VCTs' tax-free dividends to be increasingly attractive over time, but those thinking about backing a particular VCT may want to act sooner rather than later."

"Therefore, it wouldn't be surprising to see people pulling forward investments previously planned for 2026/27. That could mean EIS and SEIS attract less attention than usual. But EIS in particular looks well set for the years ahead."

Jonathan Keeling, Partner at Haatch, said:

"The key question for investors and advisers using SEIS and EIS is whether they are planning early enough to do it properly. Timing and tax year strategy are important, along with selectivity and execution risk."

"One additional dynamic this year is the VCT relief change. We are hearing that this will drive incremental flows into EIS, especially from investors already comfortable with private market risk and looking to preserve tax efficiency."

Neil Pearson, Tax Specialist and Consultant at Mills & Reeve LLP, said:

"While the upfront tax relief on VCT investments has been reduced, tax-free dividends remain attractive for investors in an environment of rising dividend tax rates and shrinking exemptions."

"History tells us that when effective rates of tax go up, investors will have a greater appetite to save money by seeking out good tax-efficient investment opportunities. So, whilst we may have just got through "Blue Monday", there are reasons to be cheerful in the world of tax-efficient investing."

Matthew Brown FCSI, Partner at RAM Capital Partners, said:

"EIS and VCTs continue to play a valuable role for suitable clients, but suitability is critical given the higher risk profile, illiquidity and longer investment horizons involved."

"For VCTs, it will be important to assess whether managers can continue balancing the needs of new and follow-on investments while also maintaining dividend levels and operating effective share buyback facilities. In this environment, investors are likely to prioritise consistency, governance and long-term execution over short-term tax efficiency alone."

Henry Whorwood, Managing Director, Research & Consultancy at Beauhurst, said:

"With the reduction to the amount of relief investors get on VCT investments, (S)EIS should be in a brighter spotlight this year. Private companies are

still suffering from the lack of secondary liquidity, with a record number of companies looking for exit.

"Investors may be better off looking at fund vehicles, rather than direct investing themselves until M&A activity picks up."

Tom Lindup, COO of Velocity Capital, said:

"The last few years have been demanding for UK early-stage businesses. A positive consequence is that the bar for raising capital has risen. Companies are expected to demonstrate not only a credible route to profitability, but clear, repeatable traction.

"For suitable clients, tax-efficient structures such as EIS can continue to play a valuable role in their investment portfolios and tax planning, combining long-term growth exposure with meaningful tax reliefs within a diversified portfolio."

Andrew Wolfson, CEO of Pembroke VCT, said:

"The focus should be on securing tax-efficient exposure to long-term UK growth, rather than reacting solely to short-term policy noise. While the 2025 Budget proposed a reduction in VCT income tax relief, this does not alter the core purpose of VCTs.

"The increased per-company investment limits allow VCTs to back successful businesses for longer and deploy more meaningful capital at the point where scale and value creation are clearest, largely a long-overdue inflation catch-up rather than a giveaway."

Mason Doick, Head of Corporate at JP Jenkins, said:

"Making full use of tax-efficient wrapper is vital if you don't want to be leaving money on the table when it comes to portfolio management.

"With an estimated £30 billion having been raised through EIS and SEIS over the last 30 years, matched bargain trading provides a much-needed



cost-effective solution for management teams to placate investor demands, tidy up the shareholder register and for those who want it, find an exit."

James Faulkner, Managing Director at Vala, said:

"The last couple of years in early-stage VC has been a battleground, with lots of companies falling by the wayside but lots of great companies finding routes to exit or for founders to take some money off the table or for capital for investment.

"The geopolitical uncertainty has created a scarcity of capital, but we're also seeing investee companies becoming more capital-efficient. The capital for early-stage high-growth companies is there, but it's going to take a bit longer for the corporate buyers or institutional investors to get their confidence back." 

Insights shaping tax-efficient investing in 2026 and beyond

Our *Tax-Efficient Investment Insights 2026* delivers the latest thinking on VCTs, EIS, SEIS and Business Relief for today's advice professionals, including the key legislative and market changes coming into effect in 2026. Packed with research, market analysis and expert perspectives from across the industry, it explores how these tax-efficient investment solutions are being used in practice, where confidence is growing, and where new planning opportunities are emerging.

Practical, balanced and accessible, this is essential reading for advisers and paraplanners looking to enhance client outcomes through thoughtful use of tax-efficient investments within a well-structured overall portfolio.



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2026: A PIVOTAL YEAR FOR VCTS

Jon Prescott, Partner at PXN Investments, explores why the April 2026 rule changes are reshaping adviser conversations on Venture Capital Trusts.

From 6 April 2026, income tax relief on subscriptions into VCT qualifying shares will reduce from 30% to 20%. The trade-off for managers is access to a wider pool of high-growth small businesses. The combination of tighter relief and an expanded investable universe makes timing, manager selection and portfolio construction matter more than ever.

UNDERSTANDING THE CHANGES

The policy story has two moving parts. On top of the reduction of income tax relief on new VCT subscriptions, the reforms increase the limits for companies raising capital via VCTs and EIS – effectively extending the runway for the size and stage of businesses that can qualify.

The annual investment limit per investee company will rise from £5m to £10m (or from £10m to £20m for knowledge-intensive companies), while the lifetime company investment limit rises from £12m to £24m (£20m to £40m for knowledge-intensive companies). Gross assets limits also increase from £15m/£16m to £30m/£35m before and after a share issue.

For clients, the story is straightforward: less upfront relief, but more scope for managers in the

growth companies they can back. That shifts the conversation from ‘should we use VCTs at year end?’ to ‘does a higher-risk allocation to UK growth still fit the plan – and which manager is best placed to deliver?’

If demand comes sooner ahead of the relief reduction, advisers may need to think earlier about capacity, pacing, and how VCT allocations fit alongside other planning priorities.

A 10 percentage-point reduction in upfront relief inevitably changes the mental calculations. When relief is lower, the ongoing features of the VCT regime become more prominent: tax-free dividends and no CGT on disposal (subject to scheme rules).

This is where advisers can add real value by separating three ideas that often get blurred together. Relief is not return – upfront relief improves the net cost of entry, but it doesn't remove investment risk. Additionally, dividends are not guaranteed - outcomes depend on portfolio performance, realisations and manager policy. And time horizon matters, clients must be comfortable with liquidity constraints and the possibility of capital loss.

Many VCTs aim to distribute returns primarily through dividends funded by portfolio income and



realised gains. That's one reason dividend income is becoming a bigger part of the conversation – particularly for clients who value tax-efficient income alongside growth.

THE EVOLVING LANDSCAPE

The old caricature of VCTs as a niche tool for high-net-worth investors is increasingly out of date. HMRC statistics (2023-24) show that VCT participation spans a wide range of investors and contribution sizes. Around four-fifths of VCT investors claim relief on £50,000 or less.

Several factors explain this broadening. Frozen thresholds are bringing more clients into higher-rate tax bands. Tax-free income has become more valuable as dividend and savings allowances have tightened. And inheritance planning is moving closer to the centre of many clients' objectives.

Planning conversations are becoming more holistic, with clients considering income, growth and estate outcomes together. Within that context, VCTs are a higher-risk, secondary allocation – potentially useful for suitable clients once core needs are met. Suitability remains the top priority.

None of that makes VCTs suitable for everyone – but it explains why they appear in more mainstream advice discussions than a decade ago.

MANAGER SELECTION

Separate VCTs are not interchangeable. Two clients might each invest in 'a VCT' and have very different outcomes depending on manager capability.

There's a clear contrast between a manager running a concentrated portfolio of 15 companies with deep sector expertise, versus one spreading capital across 40 plus investments with lighter-touch involvement. Neither approach is inherently right - but they carry different risk profiles.

If the investable universe expands towards larger, later-stage opportunities, dispersion between managers may become more pronounced. Advisers may want to look more closely at how managers find opportunities, how often they win competitive deals and what differentiates them from peers. Understanding their approach to pricing, risk management, portfolio diversification and post-investment support matters, as does their track record on delivering liquidity and managing buybacks. .

LOOKING AHEAD


For advisers considering VCT allocations ahead of April 2026, planning matters. Demand may be pulled forward, and many offers have finite fundraising limits – leaving it too late may reduce choice.

Now is a natural moment to reconfirm objectives and suitability, ensuring clients understand what VCTs are and the conditions around relief, holding periods and the absence of guarantees.

Focusing on manager selection should be a priority. Outcomes are driven by underwriting quality and portfolio construction, not by the wrapper alone.

Beyond the immediate deadline, the more interesting question is what comes after expanded investment limits bring a new cohort of growth companies into scope. We may see VCT portfolios evolve, with different sector mixes, risk profiles and sharper differentiation between managers. This makes thoughtful manager selection and clear client conversations more important than ever.

Important information

This article is for information only and does not constitute investment advice. Tax rules can change and tax reliefs depend on individual circumstances. VCT investments are high risk; investors may not get back the full amount invested. Past performance is not a reliable indicator of future results. Investors should read the relevant offer document and consider taking regulated financial advice where appropriate. 



About Jon Prescott, Partner at PXN Investments

Jon is a Partner at PXN Investments, overseeing the group's product and distribution strategy. He spent over 16 years at AJ Bell working in the distribution function with particular focus across pension and platform. Prior to joining Praetura in 2018, he spent five years at Octopus Investments as Area Sales Director leading the sales and distribution strategy across the North of England, Scotland and Northern Ireland. Jon brings more than 30 years of financial services experience with over 10 years working in the tax efficient investment arena.

VCTS: WHAT TO LOOK OUT FOR IN 2026

VCTs are set to remain a firm fixture in financial planning, even with the changes to the tax treatment from April, which were announced – unexpectedly – in the Budget.

Greater taxation weighs heavily on the minds – and pockets – of investors, so ways to grow wealth and mitigate tax bills are essential – and very welcome. **Fraser Mackerisie**, Fund Manager at Unicorn Asset Management, outlines what considerations need to be made in relation to VCTs in 2026.

So what is the VCT landscape as we head into the 2026 tax planning cycle – and what do you need to know to be prepared?

VCTs provide essential growth capital and support to help some of the UK's most exciting companies. To counter the increased risk of investing in earlier stage businesses, VCTs currently come with 30pc tax relief, plus tax-free dividends. However, the most recent budget brought the news of government plans to cut upfront tax relief on VCTs from 30% to 20% in April.

While there is concern that cutting tax relief will undermine VCTs' ability to support scale-up businesses and harm the government's growth ambitions, the investment case remains strong.

VCT investing comes with higher risks, of course, with businesses being small, young, and arguably more likely to fail. Yet advisers can take comfort

that research by Wealth Club¹ shows VCT-backed companies tend to be much faster-growing than larger, established FTSE-listed companies.

Its analysis of VCT portfolios found that over a third (36.8%) of investments are in businesses that have grown revenues by more than 25% year on year. By contrast, only a tiny minority (2.1%) of the FTSE All Share constituents, excluding investment trusts and insurance companies, have achieved that.

The new tax year will also bring some positive changes, with rules being relaxed to allow more companies to earn qualifying status for VCTs.

Chancellor Rachel Reeves doubled the maximum size of companies eligible for VCT investment, from £15m to £30m. This is to allow VCTs to support larger, more established scale-up companies. This will also mean that companies will remain eligible for VCT funding for longer, allowing a VCT to continue to back its

portfolio companies as they progress through their growth journey – not just as a start-up or very early-stage business – and thereby providing long-term investment returns and tax-free dividends.

From April companies will be able to raise more capital, as the Chancellor increased the maximum investment for a VCT into an individual company from £10m to £20m – and up to £40m in “knowledge intensive” companies.

With income tax thresholds frozen, more individuals are being pushed into higher or additional rate tax bands. While some VCTs deliver an annual dividend of between 5% and 7%, some pay out more and these tax-free VCT dividends are paid without increasing taxable income.

As ever, some VCT offers fill fast – so it helps to have discussed the options with clients and be ready to invest. The Unicorn AIM VCT offer was 35% full, less than a week after opening.

Investee company success stories bring the benefits VCTs deliver to growth businesses and thereby the broader economy, to life for investors. Hasgrove is a good example.

A recent, record exit for the Unicorn AIM VCT, Hasgrove is a digital communications services group with subsidiaries offering a broad range of digitally focussed marketing and technology services. Having owned it for over 20 years from an initial investment of £2m, it grew to £88m before it was partially sold to funds managed by Castik Capital in late 2025. The sale led to a £50 million special dividend, equivalent to 23.0p per ordinary share, due to VCT shareholders.

Quantum Base, listed on AIM in April 2025, is an excellent example of the innovation achieved by

some UK universities. Founded as a spin-out from Lancaster University, it manufactures unbreakable and non-replicable, invisible authenticity tags that can be applied to a vast array of products from alcohol to designer goods, significantly mitigating counterfeiting. With applications across so many sectors, the relative simplicity of use and the incredibly IP rich nature of the business the potential for growth is excellent.

VCTs support British enterprise and growth businesses, which have the potential to pay out generous tax-free dividends over time, so although a budgetary change may have brought some unexpected uncertainty for the sector via the lowering of the upfront rate of relief – with overall tax levels at record highs, the 20% relief on income tax from next year and going forward still feels attractive. We believe the relaxing of the qualifying rules and doubling of the maximum investment will drive the opportunity for VCTs and investors alike.

¹Source: Wealth Club, October 2025

By Fraser Mackersie,
Unicorn Asset Management



About Fraser Mackersie

Fraser joined Unicorn in 2008 and is co-manager of the Unicorn UK Income Strategy, UK Smaller Companies & UK Growth Funds as well as collaborating with the Investment team across the OEIC, AIM VCT, AIM IHT Portfolios and Segregated Accounts.

DON'T LEAVE IT LATE: SMART WAYS TO PREPARE FOR TAX YEAR END

Toyin Oyeneyin, Tax Specialist at Octopus Investments, shares some useful tips for advisers as we approach tax year end, with advisers working hard to make sure their clients have made the most of their available tax-free allowances and reliefs.

For example, following the Autumn Budget, the expansion of Venture Capital Trust (VCT) limits creates an even greater opportunity for clients this tax year. The 2025/26 tax year is the final opportunity for clients to benefit from the 30% income tax relief before it reduces to 20% in April 2026.

To make adviser's job easier at this busy time, we've prepared this handy checklist. Not only should it be a useful tax planning guide, but it could also help advisers to spot new business opportunities.

Let's start with the standard tax year end planning scenarios. Have your clients:

- **Used their £20,000 ISA allowance? Made the most of their annual allowance for pension contributions?**

Remember, they might be able to carry forward any of their allowance they haven't used from the three previous tax years.

- **Used their annual capital gains tax exemption of £3,000?**

Do they wish to crystallise gains to make the most of the allowance? Or, perhaps, they expect to crystallise gains in excess of the allowance?

- **Used their annual dividend allowance of £500 but expect investment income to exceed this?**
- **Made the most of their gifting allowance of £3,000 to help plan for inheritance tax?**

Helpful reminder: your clients can carry any unused annual exemption forward to the next tax year (but only for one tax year).

MOVING ONTO 'OUTSIDE THE BOX' TAX YEAR END PLANNING:

At this time of year, it pays to think about broader tax scenarios. We speak to financial advisers every day who recommend tax-efficient investments to support their clients' tax planning. This is where you can really add value by providing additional advice to suitable clients.

So, let's look at some specific scenarios where your clients could benefit from a specialist tax-efficient investment.

Has your client had a good bonus?

If the answer's 'yes', significant income tax will likely be due, so it's time to ask if they wish to use some or all their bonus to invest for their future. There are

several ways they can invest their bonus tax-efficiently. This includes contributing to their pension.

But has your client maxed out their pension this year?

Though the annual pension allowance is £60,000, this is tapered for high earners. It could, in fact, be as little as £10,000. So, if your client is suitable, why not explore additional options that can help your client invest tax-efficiently for retirement? This might include VCTs which offer a way to invest for the future tax efficiently.

Is your client trying to take money out of their business tax efficiently?

The tax treatment of dividends has become tougher. The dividend allowance is small at £500 and the highest dividend tax rate is 39.35% for amounts over this.

From 6 April 2026, dividend tax rates on the basic and higher rate band go up by 2%. Reaching 10.75% for basic rate taxpayers and 35.75% for higher rate taxpayers. Increasing the overall tax burden on investors. Additional rate tax payers will still pay dividend tax at 39.35%.

If you have clients who own a business and want to take a dividend, there might be an opportunity to make an investment and offset the tax due. For example, with a VCT, 30% upfront income tax relief can be claimed against dividends until the end of the 25/26 tax year, before it decreases to 20% in April 2026.

Does your client want an inheritance tax-efficient ISA?

As you'll know, it's common for clients to build up large ISAs. But is inheritance tax an issue for your client? Do they want to use their ISA allowance to plan for inheritance tax, or use part of their existing

ISA pot to plan for an inheritance tax liability? If the answer's 'yes', you might want to look at Business Relief (BR). You'll find more on this below.

Now you should move onto your tax-efficient investments checklist:

Have you considered Venture Capital Trusts?

A VCT is a listed company that buys small stakes in a large number of early-stage companies. VCTs offer attractive benefits to compensate investors for some of the risk involved. This includes income tax relief of up to 30% as well as tax-free dividends (typically targeting a 5% dividend yield each year). VCTs can be an attractive way to start to add unquoted investments to a portfolio, and to grow a tax efficient income through annual investment.

Have you considered Business Relief?

BR is an established relief from inheritance tax available for shares in qualifying unquoted companies and those listed on the Alternative Investment Market (AIM). Compared to gifting, BR offers a faster inheritance tax solution to inheritance tax. It also allows investors to retain access to their capital and keep control of their wealth, provided an investor is happy to accept the risks of investing in BR-qualifying companies.

LOOKING AHEAD

At Octopus, for the new year, we're looking to continue providing tax and estate planning support and expertise to our adviser community, delivering a broader range of solutions to help them and their clients. We will do this while continuing to offer the highest quality service that makes advisers feel good about working with us.

By Toyin Oyenehin, Tax Specialist at Octopus Investments



About Toyin Oyenehin

Toyin Oyenehin is the Tax Product Specialist for Octopus Investments, being the technical lead across all their tax products. She has been with Octopus for over 6 years having joined Octopus from her

previous role as a Senior Manager in M&A tax at PricewaterhouseCoopers.

She is a Chartered Tax Adviser and a Council member of the Association of Tax Technicians and has 20 years' experience across professional practice, industry, accounting, tax and finance.

PART 2: KEY ADVISER CONSIDERATIONS

AHEAD OF TAX YEAR END, ACCORDING TO THE EXPERTS

Following on from our look into the future of EIS/SEIS and VCTs ahead of the new tax year, we also asked experts to share their insights on what investors and advisers should focus on in relation to Inheritance Tax (IHT) and Business Relief (BR), along with other alternative tax-efficient opportunities.

BR limits will be capped at £2.5m per individual or £5m per married couple, with investments up to £2.5m continuing to be exempt while anything over £2.5m will be subject to 50% of the prevailing rate of IHT.

In this second part, we hear from a range of experts on how the recent developments have changed the way advisers and investors look at IHT, BR and pensions.

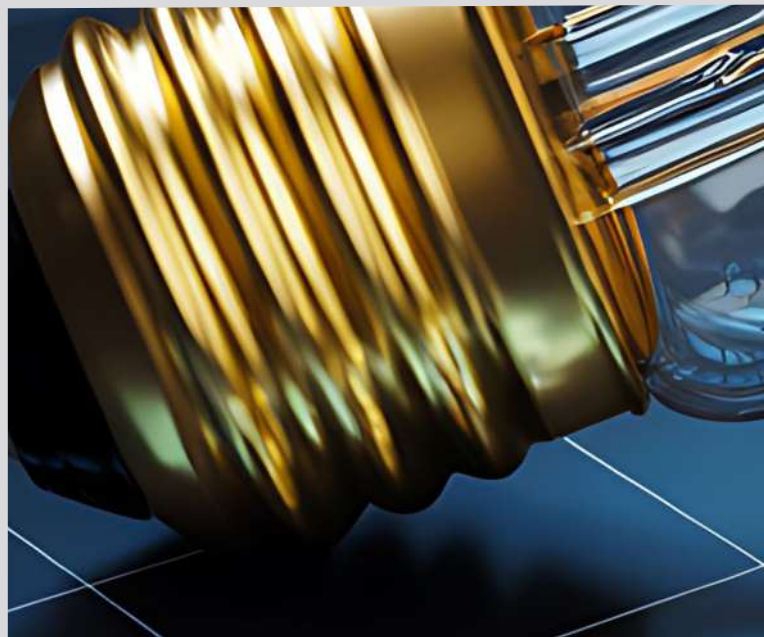
Richard Roberts, Head of Sales Development, Foresight Group, said:

"IHT planning will continue to dominate the tax-advantaged landscape. The upcoming reduction in AIM-related IHT relief will materially change the effectiveness of a previously well-used strategy, meaning advisors will be reassessing how they maximise client allowances and consider alternative IHT planning solutions."

"Adviser demand for IHT solutions has surged, with 89% of advisers seeing an increase in IHT-related enquiries and 63% having used Business Relief in the past year. Therefore, the higher unquoted allowance is likely to be deployed selectively by advisers seeking 100% relief alongside flexibility and certainty of outcome for clients."

Caroline Flagg, Strategic Partnerships Director at PXN Investments, said:

"With several tax changes landing on 6 April, the priority right now is helping clients make decisions before the goalposts move. It's about sense-checking the 'use it or lose it' opportunities and making sure nothing is missed simply because time runs out.



"With pension changes expected in 2027 and ongoing fiscal pressure likely to keep reshaping incentives, estate planning and outcomes-led tax planning will increasingly sit alongside the traditional wrappers."

Clare Moffat, pensions and tax expert at Royal London, said:

"Many clients are concerned about the changes to pensions and inheritance tax, which come into effect in April 2027. And financial advisers are the trusted professionals to help those with large pensions decide the best course of action.

"However, pensions are still the best tax wrapper for retirement income for most. And at tax year end,



clients nearing retirement should be maximising their pension contributions to take advantage of their tax efficiency.

"Using ISA allowances is always good tax year planning, but it's crucial for clients nearing retirement to understand that the ability to pay large pension contributions isn't a given just because they have the available funds, but is instead linked to earnings."

Tom Mullard, Business Line Director at TIME Investments, said:

"The clock is ticking on major IHT changes. Advisers and investors should be revisiting any AIM portfolios still held ahead of the tax year end to assess

whether the long-term outlook for AIM is enough to compensate for the lower relief level, or perhaps if there are capital losses that could be beneficially crystallised in the portfolio in this tax year or next. For AIM shares held in ISAs, there are other considerations, depending on age.

"Gifting allowances should not be forgotten. Gifts out of surplus income can be hard to demonstrate, but if correctly structured with a clear pattern of gifting, can be a powerful tool in the estate planning toolkit.

"Finally, family businesses considering passing shares down through trusts also face a deadline. Getting these transfers done ahead of the new tax year could therefore be important. There will still be ongoing

charges within the trust above this amount, but they are likely to still benefit from a 50% BR reduction."

Peter Steele, Retail Operations Director at Seneca Partners, said:

"The capping of BR on AIM quoted holdings has already resulted in investors looking to move money from their AIM portfolios into unquoted investments. Those investors can utilise Replacement Property Relief, if needed, whereby the two-year BR qualification period 'served' under their AIM portfolio is effectively extended to cover their new unquoted investment (once the unquoted shares have been allotted).

"However, Replacement Property Relief 'shall not exceed what it would have been had the replacement or any one or more of the replacements not been made'.

Nick Priest, Head of Strategic Partnerships, Downing LLP, said:

"Financial advisers should be reassessing their clients' portfolios through a much sharper IHT lens. For many clients, pensions have been the cornerstone of IHT planning, but that position will change markedly from April 2027.

"Pension withdrawals are being used to fund lifetime gifting or to invest in BR-qualifying assets. This approach also aligns with the Government's stated intention to discourage pensions as an intergenerational planning tool.

"Increased withdrawals bring the seven-year rule into sharper focus. Here, advisers should ensure clients understand the value of the normal expenditure out of income exemption, which can allow regular gifts to be made immediately outside

the estate, provided surplus income is clearly evidenced."

Alastair Power, Investment Research Manager at Redmayne Bentley LLP, said:

"For lower risk clients, gilts trading below face value offer tax-efficient capital gains for bondholders, with liquidity across a range of maturities enable flexible portfolio construction.

"With positive earnings growth expected across major developed and emerging market regions, equity markets could once again produce positive returns. Within fixed income, we find ongoing attraction in the gilt market at current yields, but remain cautious about duration positioning, generally avoiding the long end of the curve.

"While the yield pickup of corporate bonds over similar maturity gilts continues to trade at all-time tight levels, strong fundamentals in the financial sector can be seen to justify current valuations. The general outlook for the asset class is that high-quality income in bond markets will provide attractive returns and act as a ballast in diversified portfolios."

Steve Owen, Head of Proposition (EMEA) at Morningstar Wealth, said:

"Investing as much as possible into ISA and pensions remains a top priority, but under the covers, there is a lot more to consider. Harvesting gains or losses from unwrapped investments is becoming increasingly important. Many financial professionals are emphasising the importance of investment strategies based on multi-asset funds.

"For those with control over how they get paid, it's the chance to strike the right balance between taking profits as dividends and optimising income.



And let's not forget the salary sacrifice changes planned for April 2029, representing a real planning opportunity to maximise the value of pension contributions over the next three years."

Mei Lim, Group CFO and Managing Partner at Anthemis, said:

"Making full use of ISA and Pension allowances early remains one of the most effective ways to enhance long term outcomes and should be a core part of any planning strategy. Beyond the mainstream avenues, selectively allocating capital to high growth private assets can also have a meaningful long-term impact for the right clients.

"Looking ahead, the tax environment is becoming more challenging. Rising dividend taxes and frozen thresholds will continue to pull more investors into higher tax bands.

"Investors and advisers should approach tax-efficient investing with greater purpose. That said, there is no one-size-fits-all approach. Investment strategies should be personalised, and generic approaches risk missing meaningful opportunities."

Justin King CFP™ Chartered FCSI (Financial Planning), member of the CISI Financial Planning Forum Committee, said:

"The priority for investors and advisers should be to ensure allowances are used intentionally, not reactively. The real value of ISAs and pensions comes from aligning these wrappers with the client's wider life and retirement plans.

"ISAs should not be overlooked, especially for clients approaching retirement, where flexibility and tax-free access can be just as important as tax relief on the way in. Using both spouses' ISA allowances

and thinking carefully about asset location can materially improve outcomes over time.

"Advisers need to focus on robust, repeatable planning rather than tactical speculation. The aim isn't to predict the next Budget, but to build resilient strategies that can adapt as the rules inevitably change."

Russell Bignall, Group Managing Director at Fairstone, said:

"Pension contributions remain one of the most effective ways to extract profits from a business tax-efficiently. Even when unused defined contribution pensions come under the inheritance tax regime from April 2027, maximising pension contributions, along with ISA and Capital Gains allowances, is still a key tactic.

"Where once VCTs were the next place higher earners would consider for maximising tax relief, the reduction in income tax reliefs will reduce their attractiveness as a tax-efficient investment.

"Offshore bonds remain a useful form of tax-efficient investment if you expect to be a lower earner in the future or plan to retire in a country with lower tax rates."

Matthew Crawshaw, Regional Director of Walker Crips Financial Planning Limited, said:


"This is an important time for investors and advisers to review tax-efficient planning opportunities and ensure allowances are not wasted. A key priority is maximising contributions to ISAs and pensions, but investors should be mindful of the forthcoming changes.

"Finally, investors should plan ahead for proposed changes to pension death benefits from 6 April 2027. Reviewing nominations in advance will be therefore essential."

Emanuel Georgouras, CEO and Co-Founder of PistonDAO, said:

"With investors and advisers being increasingly focused on improving after-tax outcomes rather than simply reallocating capital, there has been renewed interest in alternative assets that can offer diversification beyond traditional equities and bonds, including collectible cars, which we allow investors to take fractional ownership in.

"Outcomes are driven more by structure than by asset class alone. While classic cars are often discussed in the context of 'wasting asset' exemptions, the reality is more nuanced. As scrutiny of alternative investments increases, transparency and clarity of documentation are essential.

"In an environment of evolving allowances and fiscal uncertainty, disciplined structuring, risk management and a long-term mindset will remain central to tax-efficient investing." 



A TAX YEAR END TOOLKIT:

NAVIGATING BUSINESS AND AGRICULTURAL RELIEF CHANGES AFTER THE AUTUMN BUDGETS

Harry Morrison, Investment Analyst & Panel Consultant at MICAP from Defaqto has provided a tax year end toolkit, with the past 18 to 24 months have seen a raft of changes to the inheritance tax (IHT) and tax-advantaged planning landscape.

Announcements in the Autumn Budgets of 2024 and 2025 have reshaped the way Business Relief ("BR") and Agricultural Property Relief ("APR") will operate, creating both challenges and opportunities for financial advisers and their clients. With asset values continuing to rise and IHT thresholds remaining frozen, advisers are increasingly being called upon to help clients reassess estate planning strategies and ensure allowances are used efficiently before the new rules take effect.

The inheritance tax nil rate band has been frozen at £325,000 since 2009 (or up to £500,000 where a main residence is left to direct descendants) and as currently stated will remain frozen until at least April 2031. This prolonged freeze is expected to pull more estates into the IHT net as values increase, intensifying the need for proactive planning.

At the same time, pensions are set to be brought into the scope of IHT from April 2027, fundamentally changing how many people view pensions as part of their estate planning strategy.

BR and APR remain key tools, though they too have been reformed. Following consultation, the Government confirmed that from 06 April 2026, up to £2.5 million of combined qualifying business and agricultural assets will attract 100% BR/APR, rising to £5 million for spouses or civil partners through transferability.

Values above £2.5 million will receive 50% relief, creating an effective 20% IHT charge on the excess. Shares listed on the AIM market will qualify for BR at 50% relief regardless of the allowance. The £2.5 million allowance as currently stated will be frozen until at least April 2031.

Since the announcement of a BR and APR allowance in the 2024 Budget, both the limit and the transferability between spouses or civil partners have changed before the proposal has come into effect on 06 April 2026. Ensuring advisers and clients are up to date with the legislations is key.

For advisers, tax year end planning should now include a thorough review of client exposure to these upcoming changes. Key actions include reassessing

asset values and relief usage as clients with business or agricultural assets approaching or exceeding the £2.5 million. Identifying this early allows time to explore mitigation strategies. Additionally, with allowances now transferable between spouses and civil partners, ensuring assets are structured to maximise combined reliefs is essential.

Advisers should consider whether existing holdings remain appropriate within an IHT strategy and how any changes could affect the two-year qualifying period. Advisers also need to be aware of the pension changes from April 2027. Any unused pensions will form part of the taxable estate which may increase overall IHT exposure and place greater emphasis on other reliefs, including BR.

Despite clearer direction following the 2025 Budget, uncertainty remains. Draft legislation and policy papers were published in July 2025, but some technical aspects are still under consideration, particularly around the interaction between trusts, AIM holdings and the revised relief limits.

In addition, while the Government has confirmed that personal representatives will remain responsible for reporting and paying IHT on unused pension funds from April 2027, the supporting information-sharing framework has yet to be finalised.

In this environment, advisers can add real value by taking three practical steps: consistently reviewing client portfolios, leveraging support from specialist third parties such as MICAP from Defaqto, and staying closely informed about HMRC updates and further draft legislation.

There are several changes coming into effect as we move into the new tax year around tax-efficient investments and a proposed reduction in the limit of cash ISAs to £12,000. It is therefore important to ensure not only that portfolios are invested in the right underlying assets, but also that the investment structure will remain appropriate following any changes in legislation.

While the rules are changing on the qualifying criteria for EIS and VCT qualifying companies, this comes at a cost for VCT investors, with a proposed shift to 20% upfront income tax relief from April 2026.

It will be interesting to observe how these changes influence both new and existing investors. Even before the change in upfront income tax relief VCT inflows this tax year have been steady, with the majority of the VCTs fundraising still open for new investors. The industry is expecting even slower fundraising next year unless there is a reversal of the proposal.

It should be noted; however, that the changes announced by the Government has given the tax-advantaged world some much needed advertising. While BR and APR were once seen as niche planning tools, the Autumn Budget changes have firmly moved them into the mainstream.

Additionally, research supports the growing importance of this area with MICAP from Defaqto identifying an expected increase in the use of BR planning following the proposed changes.

As tax year end approaches, advisers who understand the nuances of the new rules and act early can help clients protect wealth, manage future IHT exposure and bring clarity to an increasingly complex landscape. In a world of frozen thresholds, expanding estates and evolving reliefs, a well-structured tax year end assessment has never been more important.

For further insights or due diligence tools, MICAP from Defaqto offers comprehensive platform-based comparisons of tax-advantaged products to support financial advisers making well-informed decisions.

By Harry Morrison, Investment Analyst & Panel Consultant at MICAP from Defaqto.



About Harry Morrison

In 2018, Harry joined MICAP as an Investment Analyst and Panel Consultant, contributing to MICAP Reviews and delivering Panel Support Services to clients through data-driven insights and strategic recommendations. Following MICAP's acquisition by Defaqto in 2023, Harry continues in this role as part of the Defaqto team, supporting the wider business with his expertise in investment analysis, research and client services.



DOWNING: INHERITANCE PLANNING IS CHANGING, AND SO ARE THE SOLUTIONS

The pace of change in inheritance planning is accelerating, with advisers having to adapt quickly and efficiently to massive upheaval and uncertainty. **Nick Priest**, Head of Strategic Partnerships at Downing, outlines the changes to inheritance planning.

From April next year, the rules on unquoted Business Relief (BR) and Agricultural Relief (AR) assets are changing. Currently, both benefit from unlimited Inheritance Tax (IHT) relief, however, from the 2026/27 tax year there will be a £2.5 million allowance for the combined value of assets. On the first £2.5 million of assets, the 100% relief still applies. For any qualifying unquoted BR or AR assets above that £2.5 million allowance, the rate of relief will be halved – so, for the assets over the allowance an effective IHT rate of 20% will apply. For shares listed on the Alternative Investment Market (AIM), the BR rate will be 50% in all cases, attracting IHT at 20%.

That is a big enough change to merit the Government giving advisers 18 months to adapt, as the measures were announced in the 2024 Autumn Budget.

It is not however the only upheaval in IHT planning – from April 2027 unused defined contribution pension funds will be included in estates and

subject to IHT. Alongside the legislative changes, IHT receipts continue to rise, hitting a record £8.2 billion in 2024/25 amid forecasts receipts will be £14.3 billion by 2029/30*.

FUNDAMENTALLY CHANGING THE LANDSCAPE

The inclusion of unused pensions within estates coupled with the changes to BR and AR is fundamentally reshaping the inheritance planning landscape, forcing both advisers and clients to rethink how they balance long-term income needs with intergenerational wealth transfer.

The policy changes are driving a wave of innovation in IHT solutions, as the changes mean the situation has reversed: pension pots can no longer be relied on for estate planning. Advisers now need to find ways to mitigate IHT while ensuring clients maintain sufficient retirement



income, which requires a complete rethink of traditional estate planning strategies.

We are seeing strong demand from advisers for BR solutions, with the 2024 Budget adding further momentum. Substantial numbers of clients are already using BR as part of their IHT planning, and that is likely to grow as more people focus on the possibility of their estate being subject to IHT in the future.

With the BR changes taking effect next April, at Downing, we're not just reviewing our estate planning solutions - we're adapting them. Advisers need practical, reliable options that support investor goals and provide confidence in delivering positive outcomes.

FUNDAMENTALLY CHANGING BEHAVIOUR

We recently commissioned independent research with 100 UK financial advisers and wealth managers, and some results were concerning. Our research** found nearly half (47%) say clients are already cutting pension contributions to invest in IHT solutions ahead of the 2027 deadline. Around 75% say clients are increasing the amount of income they take from pensions in response to the new measures.

Nearly half (47%) are taking money to give as gifts or cutting pension contributions. Nearly two out of five (36%) are switching from making pension contributions to investing in property.

It goes wider - the survey found 75% of advisers may need to adapt their current IHT planning for between 20% and 30% of their client base in response to the inclusion of pensions in estates. More than six out of ten (61%) estimate there will be a 15% or more increase in the percentage of their client base facing a potential IHT liability as a result of the decision.

THE CHANGING ROLE OF BUSINESS RELIEF

More than three out of four advisers (76%) we spoke to have reported a rise in the proportion of their clients using BR solutions for IHT planning, including 8% reporting a substantial increase.

Currently, nearly six out of ten (59%) of advisers estimate between 20% and 30% of their clients planning for IHT use BR, while just over two out of five (41%) put that proportion at between 10% and 20%.

Our study found almost all (95%) of advisers surveyed say they will continue to use AIM IHT products offering access to BR after April 2026. More than four out of five (83%) said they would consider a higher growth BR product. In addition to using BR, 76% of advisers say clients are making gifts from their surplus income as a way to cut potential IHT bills, while more than half (52%) say clients are using trusts. Just less than half (46%) say clients are giving money to charity in order to reduce potential IHT bills, while 42% are putting life assurance policies in a trust. Just one in five (19%) say clients are gifting lump sums as part of IHT planning.

INNOVATION IS KEY

The key finding from our study and the one with near unanimous backing was that 94% of advisers questioned believe the inclusion of pensions within estates will drive innovation in IHT planning solutions from providers.

We believe there is a real demand for solutions focused on younger investors with a longer investment horizon, who, following the Pension Reforms, will now potentially face an IHT liability. Given the pace of change and the scale of the upheaval, more innovation will be required as IHT receipts continue to climb.

- *Inheritance tax - Office for Budget Responsibility
- ** Downing commissioned independent research company PureProfile to interview 100 UK financial advisers and wealth managers using an online methodology during August 2025

By Nick Priest, Head of Strategic Partnerships at Downing 



About Nick Priest

With over fifteen years experience in financial services, Nick joined Downing in 2015 as a Business Development Manager. Prior to that, he worked for Canada Life with a focus on offshore and IHT products in the London area. Nick is DipPFS qualified and he previously worked in third way investments and as an adviser at Barclays.



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