



Rise in popularity for venture capital trusts

New figures from HMRC show a large jump in VCT investments in 2016/17.

In September HM Revenue & Customs (HMRC) issued updated statistics on the funds raised by venture capital trusts (VCTs). These showed that investment during last tax year reached £570m, an increase of over 28% on 2015/16. This was the highest level of VCT capital raising since the 2005/06.

The rising popularity of VCTs, despite their high risk nature, is due to a variety of factors:

- The reductions in the both the lifetime allowance and the annual allowance in recent years have made pension contributions no longer a tax-efficient option for a growing number of high earners. At worst a contribution could attract no income tax relief, but still produce a retirement benefit that suffers up to 55% tax.
- HMRC's successful campaigns against artificial tax avoidance schemes and a changing public attitude have discouraged the use of aggressive, loophole-seeking arrangements.
- The VCT market has matured, with a steady pattern of fund mergers creating larger, more liquid VCTs with fixed costs spread more thinly. The sector now has assets under management of over £3.6bn.
- The VCT tax reliefs are attractive:
 - *Income tax relief of 30%* on up to £200,000 investment per tax year, provided the shares are held for five years and you have paid enough income tax to match the relief you claim.
 - *Tax-free dividends* – a saving of up to 38.1%.
 - *No capital gains tax* – a saving of up to 20%.

In the run up to the Autumn Budget there has been a large crop of VCT share issues, partly driven by expectations that the Budget will alter VCT investment rules. If you want to know which VCTs are still available to new investors, please talk to us.

The value of your investment can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance. Investing in shares should be regarded as a long-term investment and should fit in with your overall attitude to risk and financial circumstances. The value of tax reliefs depends on your individual circumstances. Tax laws can change. The Financial Conduct Authority does not regulate tax advice.