

PREPARED BY WE COMPLEMENT

Tax Relief Isn't the Whole Story

A practical suitability guide for
Business Relief, EIS, AIM portfolios
and VCTs

For advisers, paraplanners
and suitability teams



Tax relief can open
the conversation.
Suitability has to carry it.

Important note

This guide is designed for professional discussion with advice firms. It is not personal tax, legal or financial advice, and it should not be used as a substitute for regulated advice, tax advice, product due diligence or provider literature.

Tax rules, allowances and reliefs can change. Advisers should check current legislation, HMRC guidance and provider materials before relying on any tax treatment in a client recommendation. The tax position will also depend on the individual client and the investment qualifying for the relevant relief.

The figures and rules referenced in this draft reflect HMRC/GOV.UK guidance checked in June 2026. In particular, VCT Income Tax relief is now shown as 20% from 6 April 2026, following the GOV.UK update to venture capital schemes guidance. AIM Business Relief references have also been updated to reflect the post-6 April 2026 position for qualifying AIM shares.

Recent rule changes to be aware of

From 6 April 2026, VCT Income Tax relief has reduced from 30% to 20%. That may change how some clients view the balance between tax benefit, investment risk and the five-year holding period.

For chargeable events on or after 6 April 2026, qualifying AIM shares can now only qualify for 50% Business Relief. Advisers should be careful not to rely on older assumptions or historic planning language. These changes do not make VCTs or AIM portfolios unsuitable by default, but they do make the suitability conversation and client understanding evidence even more important.

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1. Foreword

Tax-efficient investments have a habit of entering advice conversations through the front door of tax planning.

A client has a potential inheritance tax issue. They have used their pension allowances. They have a large income tax bill. They have realised a gain. Tax relief becomes the reason the conversation starts.

Of course, tax planning has an important place in financial advice. But problems can start when the relief becomes the main focus, and the investment risk, liquidity, time horizon, client understanding and evidence sit too far in the background.

This guide looks at four areas that regularly appear in more specialist advice conversations: Business Relief, EIS, AIM portfolios and VCTs.

It is not a technical tax manual and it is not a product guide. It is a suitability guide. The focus is on the conversations, questions and evidence that sit behind good advice.

The question running through this guide

Would the recommendation still feel suitable if the tax relief did not exist?

For advisers and paraplanners, the real work is often not explaining the relief. It is making sure the client understands the exchange they are making to access it.

That exchange may include higher investment risk, reduced liquidity, longer holding periods, concentration in smaller companies, uncertain income, more complex tax conditions and the possibility that relief may be withdrawn or unavailable.

Good advice does not hide those trade-offs. It brings them into the conversation early, clearly and in language the client can genuinely understand.

2. Executive summary

Business Relief, EIS, AIM portfolios and VCTs all do different jobs. But when you look at suitability, many of the same questions keep coming up: risk, liquidity, time horizon, client understanding, capacity for loss and whether the tax relief is carrying too much weight in the recommendation.

Key themes

- Tax relief can be attractive, but it should not be treated as a shortcut to suitability.
- Clients may understand the tax benefit before they understand the investment risk.
- Holding periods are not the same as access. A client may meet a tax holding period and still face practical liquidity issues.
- Capacity for loss needs to be more than a generic statement, especially where the client is investing in smaller or less liquid companies.
- Investment experience matters. Being comfortable with mainstream market risk does not automatically mean a client understands Business Relief, EIS, AIM or VCT risk.
- Evidence should show not just what was recommended, but why the trade-off was acceptable for that client.
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Practical takeaway

A strong file does not simply say “the client wanted tax planning”. It shows why this form of tax planning fits the client’s wider position, objectives, risk tolerance and understanding.

3. Why tax relief can distort the advice conversation

Tax relief can make these investments feel easier to understand than they really are.

A client may quickly grasp the headline benefit, such as income tax relief, inheritance tax planning, tax-free dividends or capital gains tax treatment.

But the harder parts of the recommendation often need more time.

- What happens if the investment falls in value?
- How easy would it be to access the money?
- What does smaller-company exposure actually mean?
- Could the client hold the investment for longer than the minimum period if they needed to?
- And does the client understand that the tax relief does not remove the investment risk?

That is why tax-efficient investments need a slower suitability conversation, not a faster one.

Suitability question

Is the client choosing the investment because it suits the plan, or because the relief makes it feel like an obvious next step?

The adviser's role is not to make the tax benefit less attractive. It is to make the full exchange visible.

Where cases can become harder to defend

- The tax problem is clear, but the investment objective is vague.
- The recommendation is described mainly through reliefs and allowances.
- The client's understanding is assumed because they are experienced or high net worth.
- Liquidity is explained as a holding period rather than a practical access risk.
- Capacity for loss is stated but not connected to the client's wider plan.
- The recommendation becomes too large relative to the client's overall wealth or accessible assets.
- Evidence focuses on the product rather than the client's decision-making.

4. A suitability framework for tax-efficient investments

The following framework is designed to help advisers and paraplanners evidence the thinking behind a recommendation. It is not intended to replace firm policy or compliance requirements, but it can act as a useful structure when reviewing advice files.

Evidence area	What the file should make clear
Objective	What client need is being addressed, and is it clear enough to justify this type of investment?
Tax position	Does the client have the tax liability, estate position or gain needed for the relief to be relevant?
Alternatives considered	Have pensions, ISAs, gifting, trusts, protection, cashflow planning or simpler options been considered first where relevant?
Risk tolerance	Is the client comfortable with the specific risks, not just "higher risk" in general?
Capacity for loss	What would happen to the plan if the investment fell significantly or failed?
Liquidity and access	Can the client afford to tie up capital and avoid relying on uncertain exit routes?
Time horizon	Does the client's timeline match both tax rules and practical investment horizons?
Concentration	Is the recommended amount proportionate to the wider portfolio and estate?
Investment experience	Has the client invested in comparable assets before, and if not, how has understanding been built?
Client understanding	Can the client explain the trade-off in their own words?

Client understanding check

Could the client describe the relief, the risk, the access limitations and what could go wrong without relying on the adviser's wording?

5. Business Relief

Business Relief often appears in conversations about inheritance tax planning, particularly where clients want to retain ownership and access rather than make gifts or use trust-based planning.

What can make it attractive

- Potential inheritance tax mitigation after the qualifying period, where the investment remains qualifying.
- A way to keep capital in the client's name rather than giving assets away.
- Potential flexibility compared with some estate planning routes, depending on the product and provider.

Where suitability gets harder

- The relief depends on the investment qualifying and the client meeting the relevant conditions.
- The underlying assets may involve smaller or less familiar companies.
- Liquidity may be limited and exit routes may depend on provider, market and underlying assets.
- Clients may remember "IHT planning" more clearly than they remember the risk to capital.

What advisers may want to evidence

- Why Business Relief is being considered instead of, or alongside, other estate planning options.
- How the client's estate, age, health, objectives and access needs support the recommendation.
- That the client understands Business Relief reduces the value for IHT purposes only if the conditions are met.
- That investment risk, liquidity and loss of relief have been discussed clearly.
- That the amount recommended is proportionate to the client's estate and accessible assets.

Practical takeaway

Business Relief can be useful, but it is not a no-risk alternative to gifting. The client keeps ownership, and with that comes investment risk and qualifying-condition risk.

Adviser reflection

If the tax relief was removed from this recommendation, what would still make the investment suitable for this client?

6. Enterprise Investment Scheme

EIS conversations can get technical very quickly. The reliefs are valuable, but the suitability work is about making sure the client understands the small-company risk they are taking.

What can make it attractive

- Income Tax relief may be available on qualifying investments.
- CGT deferral may be available when a gain is reinvested into qualifying EIS shares.
- Disposal relief may apply where conditions are met, including holding the shares for the minimum period.
- Loss relief can be an important part of the risk conversation.

Where suitability gets harder

- EIS investments are high risk and often illiquid.
- The client may be investing directly or through a fund into smaller, unlisted companies.
- The tax reliefs depend on qualifying conditions and can be withdrawn.
- The client may focus on the reliefs before fully understanding that capital is genuinely at risk.

What advisers may want to evidence

- The tax problem being addressed and why EIS is a suitable route.
- The client's income tax liability and any gain relevant to deferral planning.
- Why the client's investment experience supports this type of risk, or how understanding has been built.
- The expected holding period and practical exit uncertainty.
- The role of the EIS allocation in the wider portfolio and plan.

Practical takeaway

EIS should not be presented as a tax product with investment risk attached. It is a high-risk investment with tax reliefs attached.

Adviser reflection

If the tax relief was removed from this recommendation, what would still make the investment suitable for this client?

7. AIM portfolios

AIM portfolios can sometimes feel more familiar because they involve listed shares, but that familiarity can be misleading.

What can make it attractive

- Exposure to smaller and growing companies through AIM-listed shares.
- Potential 50% Business Relief qualification for some AIM shares from 6 April 2026, subject to conditions.
- The change from 100% to 50% means the planning benefit may be less generous than some clients or historic reports assume.
- Possible use within an ISA wrapper, where available through the chosen route.
- A planning route for clients who want IHT planning but may not want to make gifts.

Where suitability gets harder

- AIM shares can be volatile and less liquid than larger listed companies.
- Not every AIM share will qualify for Business Relief, and qualifying AIM shares now only qualify for 50% relief from 6 April 2026.
- The investment may be more concentrated than the client expects.
- The client may assume "listed" means easy to sell or lower risk.

What advisers may want to evidence

- Why AIM exposure is appropriate for the client's risk profile and investment experience.
- How qualifying risk has been explained, including the fact that eligibility can change.
- What level of volatility the client could tolerate emotionally and financially.
- Whether the client understands that access may be possible but not guaranteed at a stable value.
- How the AIM allocation fits alongside the client's wider estate planning.

Practical takeaway

AIM portfolios need careful positioning. They may offer planning flexibility, but they still expose the client to smaller-company risk, market volatility and qualifying uncertainty.

Adviser reflection

If the tax relief was removed from this recommendation, what would still make the investment suitable for this client?

8. Venture Capital Trusts

VCTs often come up around tax year-end, when clients are thinking about allowances, income tax and whether anything can still be done before the deadline.

What can make it attractive

- Income Tax relief may be available on new VCT shares, subject to limits and the client's tax liability. From 6 April 2026, this relief is 20%, reduced from 30%.
- Dividends from VCTs are generally tax-free.
- Gains on VCT shares are generally free from CGT.
- They may appeal to clients who have used pensions and ISAs and are looking for tax-efficient investment opportunities.

Where suitability gets harder

- VCTs invest in smaller companies and are high risk.
- Income is not guaranteed, even where dividends have historically been paid.
- The client must hold the investment for five years to retain Income Tax relief.
- Selling may not be quick or available at the price the client expects.
- Tax year-end pressure can make the recommendation feel more urgent than it should.
- The reduction in VCT relief from 30% to 20% also makes it even more important that the recommendation stands up beyond the tax saving alone.

What advisers may want to evidence

- Why VCTs are suitable beyond the tax-year opportunity.
- The client's income tax liability and ability to use the relief.
- Whether the client can hold for at least five years, and possibly longer.
- Whether dividends are being treated as a bonus or relied upon for essential income.
- That the recommended amount is proportionate and does not create too much exposure to higher-risk smaller companies.

Practical takeaway

VCTs should not be treated like a routine annual allowance exercise. They are high-risk investments with valuable tax reliefs attached, and that order matters.

Adviser reflection

If the tax relief was removed from this recommendation, what would still make the investment suitable for this client?

9. At-a-glance comparison

These tables are high-level adviser discussion aids. They are not a substitute for detailed tax rules, due diligence, provider literature or personalised tax advice.

Business Relief, EIS, AIM portfolios and VCTs all have different planning uses. But when you look at suitability, many of the same questions keep coming up. The tables below summarise the main differences and the main advice considerations.

Table 1: Planning overview

Area	Common planning driver	Main relief / feature
Business Relief	Inheritance tax planning while retaining ownership	Business Relief may reduce the value for IHT if conditions are met
EIS	Income tax planning, CGT deferral, growth, higher-risk investment	30% Income Tax relief, CGT deferral, potential CGT disposal relief and loss relief
AIM portfolios	IHT planning, smaller-company exposure, possible ISA-based planning	Some AIM shares may qualify for 50% Business Relief from 6 April 2026, subject to conditions
VCTs	Income tax planning, tax-efficient dividends, tax year-end planning	20% Income Tax relief on new shares from 6 April 2026, tax-free dividends and CGT-free gains

Table 2: Suitability and evidence lens

Area	Holding period / access point	Suitability risks	Evidence focus
Business Relief	Generally at least two years ownership for qualifying assets; access depends on investment route	Qualifying risk, capital risk, liquidity, client misunderstanding of IHT benefit	Why this is preferable to simpler estate planning options, client understanding of conditions and risk
EIS	At least three years for full relief; exit may be uncertain and illiquid	High-risk smaller companies, loss of relief, poor liquidity, over-reliance on tax benefit	Tax liability or gain, capacity for loss, investment experience, proportionality
AIM portfolios	Business Relief usually requires at least two years; shares may be traded but liquidity and value can vary	Volatility, qualifying uncertainty, reduced Business Relief, concentration, assumption that listed means lower risk	Why AIM risk is suitable, 50% Business Relief position explained, role in wider estate plan
VCTs	Five-year holding period for Income Tax relief; secondary market may be limited	High-risk smaller companies, uncertain dividends, liquidity, tax year-end pressure	Tax liability, holding period, income expectations, ability to lose capital

10. Adviser evidence checklist

This checklist is designed to be practical. It can be used as a sense-check before a recommendation is finalised or as part of file review.

- The client objective is specific and not limited to “tax efficiency”.
- The client’s tax position supports the relief being discussed.
- Relevant alternatives have been considered and recorded.
- The recommendation is proportionate to the client’s wider wealth and accessible assets.
- Capacity for loss has been linked to the client’s actual financial plan.
- The client understands the investment risk in plain English.
- The client understands any qualifying conditions and what could cause relief to be lost.
- Liquidity has been explained as a practical access issue, not just a holding period.
- Income expectations have been tested, especially where dividends are involved.
- The client’s investment experience supports the recommendation, or additional explanation has been provided.
- The recommendation would still be coherent without tax-year-end pressure.
- The suitability report explains the trade-off, not just the benefit.

File review question

If someone read the file without being in the client meeting, could they understand why this client accepted this particular trade-off?

11. Closing thoughts

Tax-efficient investments are not unsuitable by default. For the right client, they can play a valuable role in estate planning, income tax planning, CGT planning and broader portfolio construction.

But they need to be treated with the weight they deserve.

The danger is not that advisers talk about tax relief. The danger is that tax relief becomes the part of the recommendation the client remembers most clearly, while the risk, access limitations and conditions sit in the background.

That is where suitability teams add real value.

They slow the thinking down. They test whether the objective is clear. They challenge whether simpler alternatives have been considered. They make sure client understanding is not assumed. They help evidence why the recommendation fits the client, not just why the tax treatment looks attractive.

Final thought

Tax relief can open the conversation. Suitability has to carry it.

At We Complement, we see suitability as more than report writing. It is the thinking, challenge and evidence that sits behind good advice.

12. Sources and further reading

The following public sources were used to check the high-level tax points in this draft. Advisers should check current rules and product/provider materials before relying on any detail in client advice.

- HMRC/GOV.UK, Tax relief for investors using venture capital schemes, updated 6 April 2026.
- HMRC/GOV.UK, Venture Capital Trusts, Enterprise Investment Scheme investment limit increase and restructure, published 26 November 2025.
- HMRC/GOV.UK, HS297 Capital Gains Tax and Enterprise Investment Scheme, 2026.
- HMRC/GOV.UK, Business Relief for Inheritance Tax: what qualifies for Business Relief.
- HMRC/GOV.UK, Summary of reforms to agricultural property relief and business property relief, including AIM shares and 50% Business Relief from 6 April 2026.
- HMRC/GOV.UK, Venture Capital Schemes Manual and Inheritance Tax Manual, where relevant.