

THE TAX-ADVANTAGED LANDSCAPE: EIS & VCT



The EIS & VCT market landscape

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High-tax environment and inflationary pressures contribute to government and FCA calls for greater investing and risk taking to grow UK wealth.

With so many leaks and suggestions in the press about what the 2025 Autumn Statement has in store, there are plenty of indicators that tax rises could make EIS and VCTs even more appealing planning options.

Interest in both of the tax-advantaged schemes has already recently been stoked by the extension of frozen income tax thresholds, increases to CGT rates, cuts to CGT annual allowances and neutralisation of Business Asset Disposal Relief. Even without any further tax changes, tax-free dividends are now at a premium with the recently announced statistic that the number of people paying dividend tax is expected to hit a record 3.67mn people in the 2024-25 tax year. On top of that, most EIS-qualifying shares currently retain 100% Business Relief qualification and even after April 2026, that will remain the case if they are unlisted and within the new £1m cap of Business Relief qualifying assets held in an estate.

General thinking is that the UK has entered into a high-tax environment for the foreseeable future. What's more, the annual [UK Consumer Prices Index \(CPI\) inflation rate](#) was 3.8% in July 2025, according to Statista, having risen from 3.4% in May 2025. However, official forecasts from [The House of Commons Library](#) suggest it may peak higher at 4.0% in September 2025. Meanwhile, the average savings rate recorded by Moneyfacts in August 2025 was 3.5%. This puts £430 billion held in cash deposits (Barclays September 2024) plus £294 billion held in cash ISAs (AJ Bell, March 2025) at serious risk of substantial inflationary erosion in the UK.

The prospects for VCTs could be enhanced even further if the government prioritises its growth budget by yielding to recent lobbying by the Venture Capital Trust Association (VCTA) and other industry bodies to increase the annual and lifetime funding limits for VCTs and the companies they invest in, as well as extend the company age limits, to account for inflation. The goal is to enable VCTs to support a greater number of growing British companies, particularly in complex sectors like deep tech and life sciences.

Combined with strong fundraising in 2023/24, a growing mix of VCT investors and the largest number being in the £5,000 to £10,000 group with 17% of the total in the same year and the number of higher as well as additional rate taxpayers forecast to jump up by almost 1.75 million this year, VCTs could be more popular than ever.

EIS, is also set to benefit from these statistics and additionally from the 51% increase in SEIS funding in 2023/24, which is set to lay a trail of breadcrumbs for EIS investors looking to take advantage of follow on funding for young innovators who have fulfilled their early-stage potential.

This edition of the EIS and VCT update takes a look at the current context and future possibilities for these two well-established and supported tax reliefs that underpin the growth agenda underpinning political will, while offering mitigations to the financial obligations increasingly due to the state.



18 Deals. 3 Themes. Behind the thinking of one of Europe's most active investors

By **Kimberley Hay**, Ventures Director, Blackfinch Ventures

Last quarter, Blackfinch Ventures was named one of the most active investors in Europe – closing 18 deals in Q2 2025. It's a milestone that placed us in the top five of [Sifted's latest report](#).

To some, that might look like we're simply scaling up. But for us, it's a reflection of something more valuable: strategic focus.

In this article, I'll share what delivering high volumes of dealflow really looks like – and how we've built conviction around three key themes that underpin some of our recent activity and forward-looking approach: DeepTech, Energy Transition and Fintech.

Each area presents distinct opportunities, but they all share one thing in common: the potential to make a meaningful impact while delivering long-term value.

What does "18 deals in Q2" actually look like?

When the Sifted list was published, we were often asked, "How did you do 18 investments in just three months?"

The short answer? We've built the capability for it.

Following consistent year-on-year growth, we've refined how we work. That includes streamlining investment processes, running tighter Investment Committees, and enabling our team to build genuine conviction in their focus areas.

And we don't just appear when a round opens. We're already in conversation with founders' weeks – sometimes months – ahead of that point. That early engagement helps us move quickly but never at the expense of due diligence.

Many of the most promising businesses we've backed this year weren't raising publicly. They came to us through relationships – from existing founders or trusted partners. That kind of sourcing doesn't scale with online forms. It takes time, consistency and trust – and it's at the heart of how we operate.

DeepTech: Eyes on the sky

Earlier this year, we backed two standout DeepTech firms – [Neuranics](#) and [Supercritical](#). Neuranics is pioneering next-generation magnetic sensing technology, while Supercritical – which also sits in our energy transition theme – is building green hydrogen systems with market-leading efficiency.

We're also excited by developments in Space and Surveillance Infrastructure. One of our recent investments, [Spaceflux](#), is building a global network of optical sensors to track space debris that could cause damage to expensive assets out in space. Already working with the UK Space Agency and Ministry of Defence, Spaceflux is quickly becoming a trusted partner in Europe's evolving space ecosystem.

As Charles Horn, one of our Associates, notes:

“*Europe is waking up to the importance of industrial resilience and technological sovereignty – and that's creating new momentum for deep tech.*”

We're comfortable with complex technologies, but we're equally focused on commercial relevance. The best DeepTech founders we meet aren't just pushing scientific boundaries – they're laser-focused on go-to-market strategy. And we've adapted our model to support them: co-investing with strategic partners, aligning with long-term industry needs, and staying patient on the path to scale.

Fintech: The Wealth 3.0 Opportunity



We're seeing a shift in how wealth is managed – and it's being driven by a new generation.

As control of capital changes hands, existing wealth platforms are showing their age. Legacy tools and models don't always serve the needs of digital-first, values-led investors. This is what some are calling Wealth 3.0 – and we believe it presents a real opportunity.

Our focus in this area goes beyond consumer fintech. We're looking at infrastructure: B2B tools, embedded advice, and intuitive interfaces that genuinely support Financial Advisers and reflect how younger investors want to engage.

As our Senior Associate, Hassaan Mehmood, puts it: "There's a mismatch in how wealth is managed for younger generations. Founders creating forward-thinking, accessible and tech-enabled solutions are well-placed to thrive."

This thinking is shaping how we source and evaluate fintech opportunities. It's not just about scale – it's about alignment with adviser needs, intuitive design, and smart integrations that genuinely improve outcomes.

“*There's a shift from cleantech hype to real deployment. Investors are seeing clear commercial returns – especially in retrofitting, smart buildings and logistics electrification.*”

Cameron McGee, Technical Ventures Analyst, Blackfinch

Energy transition: momentum meets commercial reality

The energy sector has shifted. It's no longer an emerging area for venture capital – it's now a core focus.

We've backed a range of firms this year across energy efficiency, sustainable logistics, and advanced infrastructure. A standout is Supercritical, who we mentioned above, and we've also invested into:

- ③ A wind propulsion firm helping reduce maritime emissions.
- ③ A platform optimising smart heat pump systems.
- ③ A logistics company focused on electrifying last-mile delivery.
- ③ A start-up developing ultra-efficient electrolyzers.
- ③ A business deploying on-site, distributed power solutions.

We're looking for companies that don't just rely on regulatory support, but those where scaling makes strong financial sense, known as unit economics. These are the opportunities that offer the strongest path to long-term growth.

Final Thoughts: It's Not Just About More Deals – It's About Better Ones

The landscape is evolving. Founders are sharper. Capital is more considered. And investment managers need to bring more than just funding. Our recognition as one of Europe's most active investors isn't just about volume. It's a signal that our focus is working. That by going deeper – not broader – we're supporting teams who are building with real clarity and purpose. We'll continue to back founders building in:

DeepTech – advanced materials, imaging, manufacturing, and AI infrastructure.

Energy Transition – deployment-ready electrification, decarbonisation and sustainable systems.

Fintech – tools and platforms supporting advisers, infrastructure, and Wealth 3.0.

If you're working with a founder in one of these areas – or if you are one – we'd love to connect.

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From optional to essential:

Are VCTs the tax-efficient tool advisers can't afford to ignore?

By Octopus Investments

Venture Capital Trusts (VCTs) have long been considered a niche tool typically reserved for high net worths and wheeled out at tax year end. But that perception is dramatically shifting.

As VCTs celebrate their 30th anniversary, we spoke to Chris Lewis, Chair of the Venture Capital Trust Association (VCTA), about how far the scheme has come and why now is the time for advisers to take a closer look. "VCTs have significant untapped potential to play a larger role in investors' portfolios," Chris explains. "Over the past decade, tax-efficient investment options have become increasingly limited, with many traditional schemes scaling back or becoming harder to access. For high earners in particular, pension and ISA contribution limits are quickly reached, leaving few remaining routes with meaningful alternatives for tax planning."

In this context, VCTs have emerged as one of the last substantial "islands" of tax efficiency. For higher-income clients, VCTs can offer a compelling opportunity, especially as government policy continues to support these investments. Noting the success of the scheme, Chris adds, "I believe VCTs are the envy of Europe, and other countries, in terms of how they create a public-private partnership and the scale they've achieved. They remain a uniquely powerful tool in the UK's early-stage venture ecosystem."

The value of VCTs

VCTs provide investors with access to early-stage UK businesses alongside attractive tax incentives. These include up to 30% income tax relief, tax-free dividends, and exemption from capital gains tax on investments of up to £200,000 per tax year. For clients who understand and accept the higher risk profile, VCTs can serve as a strategic component within a diversified portfolio of assets, offering the potential for substantial returns on venture investments while delivering meaningful tax efficiencies.

A shift in perception

So, how have VCTs evolved over the past 30 years since inception?

"Two big changes stand out," Chris explains. "First, the rules used to allow asset-backed investments. Now, the focus is on higher risk, higher return opportunities – sectors like deep tech, AI, pharma, and biotech. These are the kind of investments where there is potential for meaningful growth and are central to the government's quest for investment and innovation."

"Second, when VCTs were first launched, they used to be presented to clients approaching retirement, typically those at the peak of their earnings who wanted to reduce their income tax and build a tax-free income stream alongside their pension. But this has changed. The investor profile has broadened significantly, with a notable shift towards younger clients". Data from Octopus Investments, for example, shows that the average age of its VCT investors fell from 63 in 2018/19 to 54 in 2023/2024.

This shift challenges the common misconception that VCTs are only for older, high net worth clients. With minimum investments starting from £3,000, VCTs are accessible to a broad range of clients. Once they become familiar with VCTs, many advisers regularly incorporate them into their clients' annual tax planning.

For advisers and their clients, this creates a valuable opportunity. While individual case sizes may be modest, the cumulative impact can be significant.



Overcoming past hesitation

While some advisers have historically been cautious about recommending VCTs – largely due to the inherent risks of investing in early-stage companies and a challenging economic environment in recent years – this sentiment is evolving.

"The last five years have held some challenges for venture capital across the world, including for VCTs in the UK. There have been businesses that have not survived," acknowledges Chris. "But many of the businesses in VCT portfolios have continued to grow steadily despite the headwinds. Now, with improving conditions, there's real potential for the momentum to accelerate. However, venture capital in general, including VCTs, remains a long-term asset allocation decision and it can take ten years or more to build a meaningful business that is ready for scale. It is crucial to build a diversified portfolio and spread investment risk across multiple holdings. I always recommend selecting at least two VCTs at each investment decision as this can allow investors to spread their money over 100 portfolio companies."

A timely opportunity

We recently spoke with Ewoud Karelse, Senior Analyst at Evelyn Partners, who highlighted the unique environment shaping VCT investing today:

"The current landscape is creating one of the most compelling backdrops for VCT investing in years. Frozen thresholds and rising tax burdens are pushing more clients into higher tax bands. Coincidentally, a growing number of individuals are falling into the so-called 60% "tax trap", where the combination of additional rate tax and the tapered personal allowance results in an effective marginal rate of 60%. And with pensions set to be included in estates from 2027, advisers need to think well beyond traditional wrappers."

At the same time, the government's recent extension of the VCT sunset clause to 2035, along with the inclusion of VCTs in the Spring Statement, signals long-term policy support and reinforces the scheme's vital role in the UK's investment landscape. Combined with a 30-year track record of promoting growth and tax efficiency, VCTs are no longer a fringe solution – they're a maturing, reliable part of sound financial planning.

As Ewoud also points out: "VCTs are no longer just a tax-year-end tactic – they're a year-round, forward-looking strategy and a valuable part of the adviser toolkit. As client needs evolve, advisers have an opportunity to use VCTs more proactively in long-term planning."



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Understanding the risks of investing in a VCT

- ⌚ The value of a VCT investment, and any income from it, can fall as well as rise. Investors may not get back the full amount they invest.
- ⌚ Tax treatment depends on individual circumstances and may change in the future.
- ⌚ Tax relief depends on the VCT maintaining its VCT-qualifying status.
- ⌚ VCT shares are by their nature high risk, their share price may be volatile and they may be hard to sell.

New to VCTs?

Join the Octopus Investments VCT Academy

The VCT Academy is an exclusive, CPD-qualifying series packed with videos, guides, and investor-friendly resources designed specifically to help advisers who haven't yet written VCT business get started – and confidently write their first case.

Unlock access to these essential resources.



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Beyond the power law: Symvan's selective approach to Venture Capital

By Symvan Capital

In early-stage investing, failure and success go hand in hand. Every investor hopes to be part of the next big exit, but the received wisdom is that to achieve this, they need to invest broadly (what Charlie Munger called 'diworsification') - spreading investments across enough companies in the hope a few will be winners to offset inevitable losses.

Power law mechanics are very real, and it is both statistically and historically sound to expect most positive returns to be generated by a small minority of companies, and that better performing companies are better on an exponential scale.

However, these principles are often applied to investment strategies in a fairly rigid way: accept there will be many failures, and rely on the occasional success to drive overall returns.

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Our approach is driven by helping companies to deliver on as much of that potential as possible, rather than relying on one or two to become superstars.

Symvan Capital challenges this approach

While this strategy can work, and has done for some VCs over the years, we believe Venture Capital should not just be passively backing enough companies to absorb failure.

The danger of being so reliant on extreme outliers is exactly the fact that they are so rare. A study by [AngelList](#) in 2020 found that of companies that delivered positive returns a tiny minority generated more than 10x, and only 1% generated more than 22x. These big winners are statistically very hard to come by, so relying on them to drive overall aggregate returns is something of a gamble. As the AngelList study concludes: “if we expect venture returns to continue to follow a power law in the future, then the market will continue to substantially outperform the typical venture portfolio.”

To avoid this underperformance, Symvan rejects this passive approach, instead prioritising being highly selective, supporting founders at every stage, and actively working to avoid failure wherever possible.

That mindset is embedded in our 'lifecycle' investment process. From rigorous due diligence through to hands-on support as companies scale. Companies can fail for all sorts of reasons, many of them outside anyone's control, but many of which can be overcome or avoided entirely with the right knowledge, support, and effort.

The crucial element is asking why and how a company might succeed or fail, and engaging with how that answer changes over time with the development of the company.



Focused on winners — with risk management built in

Avoiding failure doesn't mean playing it safe, nor is it incompatible with power law principles. Symvan remains firmly focused on backing technology, innovation, and businesses with the potential to deliver exceptional returns.

In fact, our funds are targeting a return of £2.85 for every £1 invested - a clear demonstration of our belief in finding standout companies that can scale successfully, and built on the basis that each company has the potential to provide a 10x return individually.

At the same time, we understand early-stage investing carries risk and startups traditionally have a very high rate of failure (between 60% and 90% depending on where you get the data), which is why our approach aims to protect investor capital as much as possible. So far we have delivered 4 profitable exits, set against ~20% failure rate across all funds since inception, which comfortably outperforms industry averages.

This isn't to suggest failure is completely avoidable - no VC can claim that. But we have been proving since 2014 that with the right structure and sufficient engagement, it's possible to mitigate risk, avoid unnecessary failures and losses, and still pursue strong returns.



Knowing when to step in — and when to step away

As we've established, some companies will fail, and knowing when to let that happen is crucial. At Symvan, we've developed a deep understanding of where to draw that line. Our experience has made us experts in identifying early red flags and recognising when intervention can still turn a business around.

We've seen it first-hand—what might look like an existential crisis can often be transformed with the right support, guidance, and, where needed, tough decisions. Our proactive approach has helped rescue companies facing critical challenges time and again, ultimately preserving value that otherwise might be lost.

But equally, we know when it's time to step away, allowing investors to crystallise losses and claim the tax reliefs designed to protect their capital.



Building Value

Any VC portfolio ultimately has the same aim - to generate value and deliver returns for investors. It should also be the case (at least one hopes) that any investment a VC makes is into a company identified as having the potential for success.

Our approach is driven by helping companies to deliver on as much of that potential as possible, rather than relying on one or two to become superstars.

We don't believe companies are pre-destined to succeed or fail. The ultimate fate of each one will be influenced and governed by a myriad of factors, be they challenges, opportunities, or the decisions made along the way. We see our job as helping them navigate all these in a way that gives them the best chance of building something valuable for investors, themselves, and the wider economy.

How EIS and VCTs can unlock pension planning potential in a changing landscape

By Dr Dan Appleby, Chief Investment Officer, Blackfinch Asset Management & Ventures

Current economic uncertainty presents an opportunity to re-evaluate the role that Enterprise Investment Schemes (EIS) and Venture Capital Trusts (VCT) can play in building resilient retirement plans. Advisers dealing with ageing demographics and increased complexity of tax planning post the 2024 Budget may now look to EIS and VCTs as a tool to tackle any potential challenges.

At Blackfinch, we believe these investment vehicles are not only primed to help solve today's tax issues but also aid in supporting economic growth through investing in our thriving start-up ecosystem.



Helping clients navigate Inheritance Tax changes with EIS and VCTs

Take the case of Josh, a 70-year-old client with a £1.25m pension pot. His goals were clear: generate £50,000 a year in income and leave a legacy for his grandchildren. However, changes in last year's Budget that are scheduled to start in 2027, where pensions will become liable for Inheritance Tax (IHT), adds a degree of urgency to his planning.

Josh's story is far from unique. It mirrors the challenges faced by thousands of clients approaching or in retirement, from income requirements, tax drag, and then a desire to pass wealth down effectively. In his case, drawing the full £50,000 from his pension created a £7,500 Income Tax liability. His adviser presented an innovative solution: use tax-efficient investments not just for growth, but as a targeted, flexible tool in his planning toolkit.

By using EIS and/or VCT, a £25k investment would offset the £7.5k income tax liability Josh created from the pension drawdown. Through EIS there is up to 30% Income Tax relief on offer alongside Business Relief eligibility after two years and if held at the time of death. VCTs come without the potential BR eligibility but do offer him the same income tax relief. They also come with the benefit of tax-free dividends that can support his annual income needs today.

Diversifying portfolios with EIS and VCTs in emerging Sectors

At Blackfinch Ventures, we recently closed 18 early-stage investments. Amongst a range of diverse tech companies, we have been investing into three defining themes: DeepTech, Fintech and Energy Transition. These structural shifts in the global economy provide opportunities for long-term return potential.

Investing in exciting companies operating within these themes is a great way to diversify a portfolio outside of the traditional public markets. Added tax reliefs on top make the investment opportunities all the more compelling.

Using EIS and VCTs as a tool for retirement planning

But potential investment returns aside, EIS and VCTs can also be positioned as part of a broader retirement plan. These vehicles provide flexibility, enhance tax efficiency and align with legacy objectives, all while backing businesses that are solving real-world problems. This is where EIS and VCT go beyond investment for clients like Josh, and many other similar clients that advisers work with.

Blackfinch works closely with advisers to create strategies that reflect both the individual client's goals and the broader macro landscape. Whether it's generating income or planning for succession, our Ventures EIS Portfolio and Spring VCT are designed to help advisers deliver long-term value through tax-efficient growth and income.

As ever, it's not one-size-fits-all. But with the right blend of insight, planning and product selection, EIS and VCT could play a defining role in retirement planning. In turn, it can help clients evolve, thrive and leave a lasting legacy.



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About Intelligent Partnership

Intelligent Partnership is the UK's leading provider of insights and education in the tax advantaged and alternative investments space.

We organise focused events and provide a suite of materials to keep advisers and industry professionals up to date with the latest developments and on course to meet their training and unstructured CPD targets.

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www.intelligent-partnership.com/eseach-format/publications



Accreditation

Our CPD tax planning online accreditation programme is aimed at regulated advisers, wealth managers, paraplanners, accountants and solicitors that require a recognised level of knowledge and understanding in EIS, SEIS, VCT and Business Relief.

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Our dedicated programme includes a variety of in-person and virtually hosted events, across the country. Supporting financial advisers and the tax planning community, we facilitate knowledge building of tax wrappers in a workshop environment. We host webinars and conferences that focus on specific areas of tax and estate planning, celebrating the role of the UK SME investment and finance communities through our annual Growth Investor Awards.