

# SPECIALIST TAX PORTFOLIO SERVICE

## (RELIANCE ON ADVISER) FOR ADVISED CLIENTS

### SERVICE SUMMARY

Specialist Tax Portfolio Service (STPS) is a Financial Adviser led discretionary service provided by Rathbones Investment Management for UK resident individuals seeking relief available under the Enterprise Investment Scheme (EIS) and Business Relief (BR). The client must have a relationship with an FCA authorised Financial Adviser, who is responsible for assessing client suitability. The portfolio is constructed to meet the mandate agreed with their Financial Adviser.

The client remains the beneficial owner of a portfolio of smaller company shares, which are held in a segregated, nominee account. Rathbones seek to begin investing as soon as we find suitable opportunities, and engage an external firm of tax advisers to provide their opinion on the qualifying status of companies that we have identified.

### SERVICE FEATURES AND BENEFITS

Dedicated investment management	✓
Portfolio tailored to specific client needs	✓
Specialist tax planning and management	✓
Quarterly valuations and tax packs	✓
Rathbones custody	✓
Access to online service 'MyRathbones'	✓

### UK TAX EFFICIENT INVESTMENT COMPARISON

	BR (IHT relief)	EIS
Income tax relief	✗	✓ (30% of amount invested <sup>**)</sup> )
CGT loss relief	✗	✓
Capital gains tax (CGT) deferral	✗	✓
Inheritance tax (IHT) exempt after 2 years	✓	✓
Tax-free exit after 3 years	✗	✓
Tax-free dividends	✗	✗
Limits 2024-25	✗	Income tax relief – £1m* CGT deferral or BR – no limit
ISA eligible	✓	✗
Minimum holding period	Two years	Three years

### RISK CONSIDERATIONS



\* The service is not available for international clients (including those of US residency).  
 \*\* Up to a maximum investment of £1m for 2024/25 tax year. Relief cannot be greater than an individual's income tax liability but may in some instances be carried back to previous tax year as well.

The Specialist Tax Portfolio Service is only suitable for higher risk investors seeking tax relief, and who are investing funds that they do not need in connection with everyday living requirements. As with all investments the value of the investment will fluctuate, and investors may not receive back the full amount they originally invested. In addition, the service is exposed to specific risks, as follows:

### INVESTMENT

- the service invests in smaller companies, which can experience pronounced share price movements due to a number of factors including limited liquidity
- the nature of smaller company investment means that opportunities to invest can be limited at certain times
- an STPS portfolio will not meet normal standards for portfolio diversification in many cases as its asset allocation is solely designed for the purpose of securing tax relief

### LIQUIDITY

- the ability to buy and sell shares of smaller companies can be limited by the availability of buyers and sellers
- companies may de-list from AIM, prohibiting the sale of shares in a reasonable timescale or at a reasonable price

### QUALIFYING

- the underlying companies must meet certain criteria to qualify for tax reliefs. A company could lose its qualifying status if, for example, it changes its business activities to those that don't qualify, and its shares would then have no tax advantage

### RELIEF

- the levels and types of reliefs from taxation may change or cease in response to regulatory changes

### HOLDING PERIOD

- the different investment strategies available have different minimum holding periods. Failure to meet these holding periods through share sales or death of the investor may result in the underlying tax mitigation strategy not materialising
- inheritance tax relief accrues during the life of an investor, but its benefit is only realised upon death. In order to benefit from some reliefs available through this service, qualifying investments must be held until the death of the investor

## TARGET MARKET

**Investment values:** positive target market from £100,000 up to £1,000,000, though the service may be applicable for higher or lower values dependant on client characteristics, needs and objectives.

**Client characteristics, needs and objectives:** In addition to investment value, the table below highlights the criteria that the service has been designed to meet (Positive), and those that it cannot meet (Negative).

	Positive target market	Negative target market
<b>CHARACTERISTICS (minimum entry requirements)</b>		
<b>Knowledge and experience</b>		
Low/basic (or higher)	✓	
+		
<b>Ability to bear loss</b>		
Ability to bear a total loss of the amount invested	✓	
Full capital protection, no/negligible capacity for loss		✗
+		
<b>Risk tolerance</b>		
Appetite for putting capital at risk of total loss	✓	
Full capital protection, no/limited capacity for loss		✗
+		
<b>Time horizon</b>		
Greater than 2 years (3 years for EIS)	✓	
Less than 2 years (3 years for EIS) or full repayment on demand		✗
<b>CLIENT NEEDS AND OBJECTIVES</b>		
	<ul style="list-style-type: none"> <li>– Access to a dedicated investment manager and the proactive use (as appropriate) of relevant tax allowances</li> <li>– Clients wishing to invest into assets for the purpose of obtaining tax reliefs</li> <li>– Clients with financial objectives which cannot be met with lower risk assets</li> <li>– Clients wanting bespoke construction of a portfolio tailored to their specific needs, with the personalised service of a dedicated investment manager</li> </ul>	
	<ul style="list-style-type: none"> <li>– Clients not subject to UK taxes or to UK inheritance tax upon death</li> <li>– Clients requiring active involvement in day-to-day investment decisions</li> <li>– Clients requiring compliance with a non UK regulator or tax regime</li> </ul>	

## VULNERABLE CLIENT CONSIDERATIONS

STPS is a discretionary solution where any vulnerability will be identified during the suitability assessment performed by the Rathbones Investment Manager.

## COSTS AND CHARGES

Management fees are charged quarterly in arrears, based on the value of the Portfolio as at the quarter end. A pro-rata charge is made for Portfolios which are transferred into or out of the Service during the quarter. VAT is charged at the prevailing rate of 20%. Full details of costs and charges are shown on our Schedule of Charges.

		Example charges for £800,000 investment			
		Business relief	EIS	Business relief	EIS
Rathbones management fee	First £500,000	1.75%	2.00%	1.66%	1.81%
	Next £500,000	1.50%	1.50%		
	Balance over £1,000,000	1.25%	1.00%		
VAT	VAT at 20%			0.33%	0.36%
Third-party charges	Minimum fee	£1,000			
	Other third party costs		0.00%	0.00%	0.00%
	<b>Total charges (%)</b>			<b>1.99%</b>	<b>2.17%</b>
	<b>Total charges (£)</b>			<b>£15,920</b>	<b>£17,360</b>

## FAIR VALUE ASSESSMENT

In line with the FCA's Consumer Duty fair value outcome, an assessment of the STPS solution has been carried out to ensure the total cost charged to the end client is deemed reasonable when compared with the benefit received.

A number of factors were used within the value assessment, including;

- a review of service features, benefits (including past performance) and service limitations
- total costs and charges (as defined above)
- the cost to Rathbones to manufacture and distribute the service
- market rates and charges associated with other comparable competitor services

## FAIR VALUE ASSESSMENT OUTCOME

Based on a review of the factors and key metrics listed above, we deem this service to provide fair value when distributed to the intended target market.