UTMOST WEALTH SOLUTIONS

PARAPLANNERS ASSEMBLY

OCTOBER 2020

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A WEALTH *of* DIFFERENCE

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AGENDA

- SESSION IS FOR APPROX 45 MINS PLUS QUESTIONS
- AIM OF SESSION IS TO GIVE AN IN DEPTH ANALYSIS OF THE TAXATION OF INVESTMENT BONDS.

OFFSHORE INVESTMENT BONDS

TOP-SLICING RELIEF

TIME APPORTIONMENT RELIEF

MAXIMISING THE TOPS-SLICING ADVANTAGE

QUESTIONS

1

OFFSHORE INVESTMENT BONDS

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TAX LIABILITY ON THE INDIVIDUAL

Chargeable events *

Death
Assignment (for money or money's worth)
Maturity
Part surrender
Surrender

Chargeable gains fall under the **INCOME TAX** regime, taxed to savings rates as explained in session 1.

(N.B. - gains on second hand, traded life assurance policies can give rise to capital gains tax liabilities)

*Plus PPB events on non-compliant policies

TAXATION OF OFFSHORE BONDS

A life company pays no tax within the fund (other than non-reclaimable withholding tax on certain assets).
On encashment, the policyholder will pay income tax on any chargeable gain at their applicable rates.

NON TAXPAYER	Nil (covered by their personal allowance)

BASIC RATE	
Within starting rate band	0%
Within personal savings allowance	0%
Basic rate otherwise	20%

HIGHER RATE	
Within personal savings allowance	0%
Higher rate otherwise	40%
Additional rate	45%

Tax benefits are subject to change and their value depends on individual circumstances.

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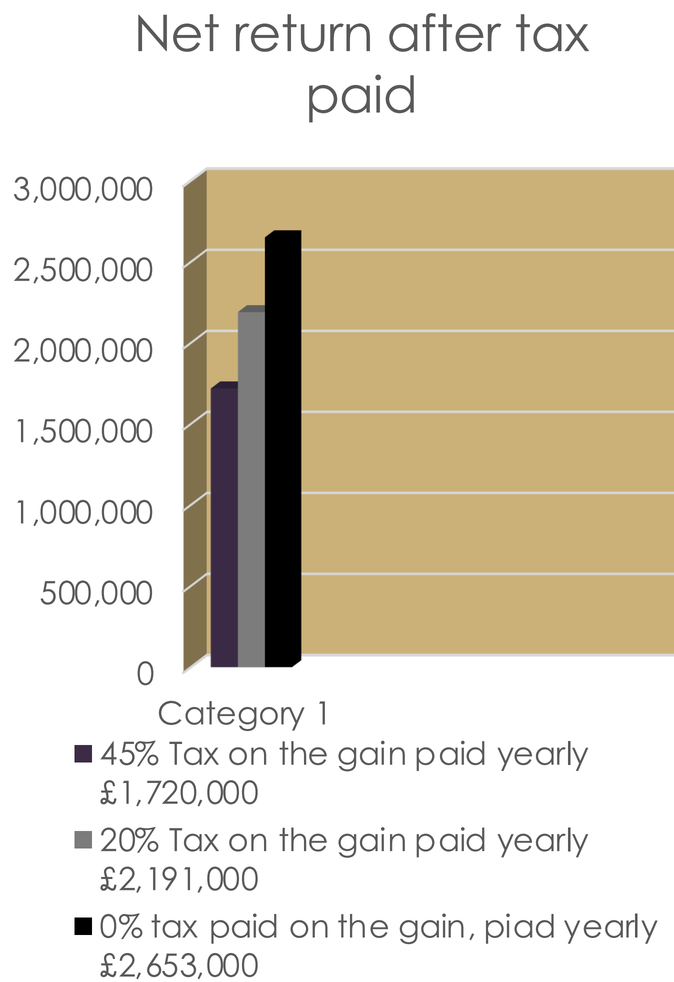
THE POWER OF GROSS ROLL-UP

HOW MUCH WILL £1,000,000 BE WORTH IN 20 YEARS IF IT GROWS BY 5% EVERY YEAR?



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OFFSHORE SINGLE PREMIUM BOND

On encashment/chargeable events

Income and realised gain stays within the policy

Wide range of investments as listed under s520 ITTOIA Including:
Cash
Structured products
Internal Funds
S 520 CIVs –OEICs, UTs and approved investment trusts
Assets falling outside S 520?

Offshore Bond

NTP & NRs — No tax to pay

BRTP — 0%, 20% to pay

HRTP/ARTP — 0%, 40% / 45% to pay

DIRECTLY HELD INVESTMENTS

Tax on income and realised gains self assessed for the year of receipt

Income tax

- 0%* within Starting rate band for savings
- 0%* within Personal Savings Allowance
- 0%* within Dividend allowance.

Capital gains

- 0%* if qualifying for Entrepreneurs Relief.

UNIT/SHARE HOLDER	INCOME TAX	CAPITAL GAINS TAX
NTPs	0%*	0%*
BRTPs	0%*, 7.5%, 20%	0%*, 10%,
HRTPs	0%*, 32.5%, 40%	0%*, 20%,
ARTPs	0%*, 38.1%, 45%	0%*, 20%,

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WHY OFFSHORE BONDS MAY BE BETTER?

- Capital redemption structure available – therefore no lives assured and no unplanned chargeable events
- Open architecture investment - gilts/bond funds available with no ongoing tax liability
- Offshore bond essentially grows tax free with exception of withholding tax on overseas dividends and interest
- Portfolio can be rebalanced with no chargeable events
- Ownership can be changed via assignment with no tax charge as long as not for money or money's worth – PET for UK inheritance tax
- Gains subject to income tax and taxed as savings income with potential of realising gains tax free
- Top slicing relief potentially available meaning gains may only be taxed at 20%.

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TOP-SLICING RELIEF

INCLUDING THE POSITION OF DIVIDENDSARE BEING RECEIVED

TOP SLICING RELIEF

CPD

TECHNICAL SALES BRIEFING

TOP-SLICING RELIEF
TECHNICAL BRIEFING

KEY POINTS

- Following the Budget on 11 March 2020, HM Revenue & Customs (HMRC) have clarified the operation of top-slicing relief as it applies to contracts of life assurance (and capital redemption bonds)
- To calculate the top-slicing relief following this clarification it is necessary to go back to first principles and run the calculations in full
- Top-slicing is a relief and it must be calculated separately to ascertain relief to apply to any charge to tax
- Following the introduction of various nil-rate tax bands the relief can be quite complicated to calculate, but nevertheless it still remains a very useful tool for reducing an individual's exposure to higher or additional rate tax.

BACKGROUND

The taxation of policies of life assurance and capital redemption bonds has been well documented by insurers over the years. The rules for taxation of contracts of life assurance (which, for the purpose of these rules, also include capital redemption bonds) are all contained in chapter 9, part 4, of the Income Tax (Trading and other income) Act 2005 ("ITTOIA 2005"). Whilst these rules appear simple at first glance, they can be quite complicated especially when applied to the current UK tax legislation.

HMRC's interpretation of the top-slicing rules; especially in relation to the application of the Personal Allowance and the availability of the nil-rate savings bands such as the Personal Savings Allowance (PSA) and the Starting Rate Band for Saving (SRBS) was questioned both in court and in the public domain and, in the Budget on 11 March, clarification was forthcoming.

Therefore, the purpose of this briefing is to go back to first principles and consider the top-slicing rules and the legislation in light of these developments.

This information is based on Utmost's understanding of current tax and HM Revenue & Customs' practice as at April 2020. Tax rules may change and depend on individual circumstances. This information does not constitute legal or tax advice and must not be taken as such. The companies in the Utmost Group can take no responsibility for any loss which may occur as a result of relying on this information.

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CONTINUING PROFESSIONAL DEVELOPMENT SERIES
TOP-SLICING RELIEF QUESTION SHEET

This document has been designed to test your understanding of the top-slicing rules as they apply to life assurance and capital redemption bonds issued by overseas insurers. The questions have been designed around the Technical Sales Briefing entitled 'Top-slicing relief technical update' and you should read this document before attempting this CPD test. Once you have completed the questions you can download the answers and some commentary which can be found on our uTECH page of our website www.utmostwealth.com

Learning Outcome for this CPD session – To better understand the rules of top-slicing relief and how HMRC currently interprets the top-slicing legislation.

This Top-Slicing CPD activity can be included as part of your CII / Personal Finance Society CPD requirement should you consider it relevant to your professional development needs. A description of the rules can be found on their website. For other professional bodies the rules of CPD will vary and you will need to consult with the rules for the professional body concerned in order to understand how to record this in your CPD record.

If you have any questions around this topic or the questions please e-mail us at iomtechnical@utmostwealth.com

This Questions and Answers document is based on our interpretation of taxation legislation in the UK, Ireland and Isle of Man as at 1 February 2020. Tax rules may change and are based on individual circumstances.

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CONTINUING PROFESSIONAL DEVELOPMENT SERIES
TOP SLICING RELIEF – ANSWER SHEET

ANSWERS

Q1.

Top-slicing relief is a tax **reducer** which can help reduce a person's exposure to **higher** or **additional** rates of income tax.

Top-slicing is an effective tax reducer, top-slicing relief cannot reduce a person's exposure to basic rate tax and is only available if a person has exposure to some higher or additional rate tax. See page 5 of the Top-Slicing Relief TSB for more details.

Q2.

B) Non-Savings income, Savings income (including Offshore Bond gains), Dividend income.

When considering gains from overseas life policies and capital redemption policies, gains are taxed as savings income and they therefore sit before dividend income. See page 2 of the Top-Slicing Relief TSB.

Q3.

D) Non-Savings income, Savings Income, Dividend income, Offshore Bond gains.

When considering the relief calculations gains from overseas life policies and capital redemption policies always sit as a top-slice of income, here the gains therefore sit above the dividend income. See example 4 on page 10 of the Top-Slicing Relief TSB.

Q4.

D) Both statements are incorrect.

If a person is already an additional rate taxpayer then the PSA will not be available and therefore there's no top-slicing relief, as the gain on the slice will still be liable to the full additional rate. Where the policyholder remains a basic-rate taxpayer after adding the bond gain, again, top-slicing relief will not be available as the gain must be reduced by basic rate under Step 2 part A. See the examples on page 6 of the Top-Slicing Relief TSB.

Q5.

- **Only statement A is correct.**

Regardless of when the policy started the divisor N will always go back to inception on a final surrender event. See page 6 of the Top-Slicing Relief TSB.

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TOP SLICING RELIEF

AN INTRODUCTION

- Top Slicing Relief (TSR) has been around as long as bonds themselves
- The methodology for calculating TSR was widely simplified throughout the industry
- One of the issues that made the industry look at how we performed calculations was the introduction of the Personal Savings Allowance (PSA) and how that interacted with Savings Rate Band for Savings Income (SRBS)
- The simplified calculations no longer work.

STARTING RATE BAND, PSA AND TOP SLICING

The Personal Savings Allowance and the Starting Rate for Savings

The starting rate for savings and the personal savings allowance nil rate should be taken into account when calculating top slicing relief, where applicable.

The starting rate for savings is available to those taxpayers with total non-savings income of less than their personal allowance plus £5,000.

The personal savings allowance nil rate is applied to the first £1000 of savings income for basic rate taxpayers, and the first £500 for higher rate taxpayers.

The amount of these allowances available in the top slicing relief calculation is set by virtue of the taxpayer's adjusted net income, so they are not adjusted when calculating the notional tax due on the 'sliced gain'.

Source: HMRC IPTM3820

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THE SILVER CASE AND BUDGET RECTIFICATION

- The client in the Silver case argued that the **Personal Allowance (PA) was available in the relief calculations** despite this being a hypothetical calculation

- HMRC argued against this and the case was upheld in the First Tier Tribunal

- However, the Budget of 11th March 2020 confirmed that HMRC had altered their stance and legislation will be introduced which means that:

    - For top-slicing relief calculations, the personal allowance is set against other income as a priority over bond gains

    - The personal allowance is then assessed <u>separately</u> in the relief calculations which means that the personal allowance is not necessarily lost where the bond gain (before top-slicing relief) meant the adjusted total income reduced the personal allowance.

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TOP SLICING RELIEF CALCULATION

- **Step** 1: Calculate the **total income tax liability for the year**, calculate the total tax liability on the gain for the year using the usual order of taxation.
- **Step 2:** Calculate the total **tax due on the gain** across all tax bands (watch for dividends). **Deduct basic rate tax treated as paid**.
- **Step 3:** Calculate the **annual equivalent of the gain.** The annual equivalent is calculated by dividing the gain by N (the top-slice divisor).
- **Step 4:** Calculate the **individual's liability to tax on the annual equivalent making sure to recalculate if the PA is now available**. Deduct basic rate tax treated as paid on the annual equivalent and multiply the result by N. This gives the individual's relieved liability.
- **Step 5:** Calculate top-slicing relief by **subtracting result of Step 4 from result of Step 2.**
- **Step 6**: Deduct the top-slicing relief due from the tax liability on the gain (deduct result from Step 5 from result of Step 1).

PA RECTIFICATION

PRE 11TH MARCH

Facts about our client:

- Non-savings income £30,000
- Chargeable event gain £130,000
- What does this tell us about his entitlement to allowances (PA, PSA, SRBS, DA)?
- Top slice divisor 10 years => top sliced gain £13,000.

Assumptions:

- 2019/20 Personal allowance £12,500
  reduced to £0 as ANI is over £125,000
- 2019/20 basic rate band of £37,500
- 2019/20 higher rate threshold of £150,000.

PA RECTIFICATION EXAMPLE 1

PRE 11TH MARCH

Step 1:

Calculate the total income tax liability for the year relating to the chargeable gain.

No PA

£30,000	of income @20%	
£7,500	of gain @ 20%	= £ 1,500
£112,500	of gain @ 40%	= £45,000
£10,000	of gain @ 45%	= £ 4,500

Tax relating to gain from investment bond = **£51,000**

Now the top-slicing exercise…

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PA RECTIFICATION EXAMPLE 1

PRE 11TH MARCH

Step 2:

Calculate the total tax due on the gain and deduct basic rate tax treated as paid (not within P.A)

- Tax on gain £51,000 - £26,000 (BRTC) = **£25,000**

Step 3:

Calculate the annual equivalent of the gain £130,000/10 = £13,000

Step 4:

Calculate the individual's liability to tax on the annual equivalent

- £7,500 @ 20% = £ 1,500
- £5,500 @ 40% = £ 2,200
- **£3,700** - £2,600 (BRTC) = £ 1,100

Relieved liability = £1,100 x N = **£11,000**

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PA RECTIFICATION EXAMPLE 1

PRE 11TH MARCH

Step 5:

Calculate top slicing relief = Step 2 – Step 4

Top Slice Relief = £25,000 - £11,000 = £14,000

Step 6:

Tax liability after top-slicing relief

- Tax relating to gain from investment bond = £51,000
- *Top-slicing relief = £14,000*
- ***Tax liability reduced to = £37,000***

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PA RECTIFICATION EXAMPLE 1

POST 11TH MARCH

Facts about our client:

- Same as before…
- Non-savings income £30,000
- Chargeable event gain £130,000
- What does this tell us about his entitlement to allowances (PA, PSA, SRBS, DA)?
- Top slice divisor 10 years => top sliced gain £13,000.

Budget rectification:

- The Personal Allowance that was lost on the "old basis" is reclaimed on the "new basis" in Step 4.

PA RECTIFICATION EXAMPLE 1

POST 11TH MARCH

Step 1:

Calculate the total income tax liability for the year relating to the chargeable gain.

£7,500	of gain @ 20%	= £ 1,500
£112,500	of gain @ 40%	= £45,000
£10,000	of gain @ 45%	= £ 4,500

Tax relating to gain from investment bond = **£51,000**

Now the top-slicing exercise…

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PA RECTIFICATION EXAMPLE 1

POST 11TH MARCH

Step 2:

Calculate the total tax due on the gain and deduct basic rate tax treated as paid (not within P.A)

– Tax on gain £51,000 - £26,000 (BRTC) = **£25,000**

Step 3:

Calculate the annual equivalent of the gain £130,000/10 = £13,000

Step 4:

Calculate the individual's liability to tax on the annual equivalent

– £13,000 @ 20% = £ 2,600

– **£2,600** - £2,600 (BRTC) = £ 0

Relieved liability = £0 x N = **£0**

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PA RECTIFICATION EXAMPLE 1

POST 11TH MARCH

Step 5:

Calculate top slicing relief = Step 2 – Step 4

Top Slice Relief = £25,000 - £0 = £25,000

Step 6:

Tax liability after top-slicing relief

- Tax relating to gain from investment bond = £51,000
- Top-slicing relief = £25,000
- **Tax liability reduced to** = **£26,000**

New Basis has saved the client £11,000 tax!

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EXAMPLE 2 – TSR WHERE DIVIDENDS ARE PAID

POST 11TH MARCH

Facts about our client:

- Non-savings income £13,000
- Dividends £5,000
- Chargeable event gain £55,000
- What does this tell us about his entitlement to allowances (PA, PSA, SRBS, DA)?
- Top slice divisor 20 years => top sliced gain £2,750.

Assumptions:

- 2019/20 Personal allowance £12,500
- 2019/20 basic rate band of £37,500
- 2019/20 higher rate threshold of £150,000.

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EXAMPLE 2 – TSR WHERE DIVIDENDS ARE PAID

POST 11TH MARCH

Step 1:

Calculate the total income tax liability for the year relating to the chargeable gain.

£4,500	of gain @ 0% = £0	(SRBS) £500 lost due to NSI
£500	of gain @ 0% = £0	(PSA) for higher rate taxpayer
£32,000	of gain @ 20% = £6,400	(remainder of BRT)
£18,000	of gain @ 40% = £7,200	

Tax relating to gain from investment bond = **£13,600**

Now the top-slicing exercise…

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EXAMPLE 2 – TSR WHERE DIVIDENDS ARE PAID

POST 11TH MARCH

Step 2:

Calculate the total tax due on the gain and deduct basic rate tax treated as paid (not within P.A)

– Tax on gain £13,600 - £11,000 (BRTC) = **£2,600**

EXAMPLE 2 – TSR WHERE DIVIDENDS ARE PAID

POST 11TH MARCH

Recalculate the total income tax liability for the year relating to the chargeable gain with dividends before gain (dividends of £5,000 being added to the income means no SRBS is now available)

£500	of gain @ 0% = £0	(PSA £500 as a HRT)
£31,500	of gain @ 20% = £6,300	(remainder of BRT)
£23,000	of gain @ 40% = £9,200	

Tax relating to gain from investment bond = **£15,500**

Note this recalculation and re-ordering is hypothetical and simply part of top-slicing exercise. It does not impact tax paid in STEP 1 or the order of taxation before top-slicing relief.

Now back to the top-slicing exercise…

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EXAMPLE 2 – TSR WHERE DIVIDENDS ARE PAID

POST 11TH MARCH

Step 2:

Calculate the total tax due on the gain and deduct basic rate tax treated as paid (not within P.A)

- Tax on gain £15,500 - £11,000 (BRTC) = **£4,500**

Step 3:

Calculate the annual equivalent of the gain £55,000/20 = £2,750

Step 4:

Calculate the individual's liability to tax on the annual equivalent

- £500 @ 0% = £0
- £2,250 @ 20% = **£450**
- **£450** - £550 (BRTC) = £0

Relieved liability = £0 x N = **£0**

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EXAMPLE 2 – TSR WHERE DIVIDENDS ARE PAID

POST 11TH MARCH

Step 5:

Calculate top slicing relief = Step 2 – Step 4

Top Slice Relief = £4,500 - £0 = £4,500

Step 6:

Tax liability after top-slicing relief

- Tax relating to gain from investment bond = £13,600
- *Top-slicing relief = £4,500*
- ***Tax liability reduced to*** = ***£9,100***

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FINAL POINTS

DIVISOR "N" AND CHANGES FROM F.A 2013

POLICY OR CONTRACT TAKEN OUT	EVENT TYPE	DIVISOR "N"
Pre 6 April 2013	**Surrender** of policy or segment	From policy inception onshore/offshore (no change).
Pre 6 April 2013 (and no variation)	'**Excess Event**' due to a partial-surrender exceeding 5% entitlement	From policy inception offshore (no change) and from last excess event for onshore (no change).
Post 6 April 2013	**Surrender** of policy or segment	From policy inception onshore/offshore (no change).
Post 6 April 2013	'**Excess Event**' due to partial-surrender exceeding 5% entitlement.	From last excess event (where applicable) or otherwise from inception – no change for onshore but changes for offshore (used to be from inception for a series of excess events.)
Pre 6 April 2013 and varied post 6 April 2013 **Variation – assigned, topped up or any bank notice etc.**	'**Excess Event**' due to partial-surrender exceeding 5% entitlement.	HMRC argue from last excess event (where applicable) or otherwise from inception – no change for onshore but changes for offshore (used to be from inception for a series of excess events.) Doesn't seem to align with FA 2013.

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TIME APPORTIONMENT RELIEF

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TIME APPORTIONMENT RELIEF – AN OVERVIEW

- Time Apportionment Relief (TAR) has, like TSR, been available in respect of offshore bonds for many years

- The relief operates so that where the person liable for tax on a bond's encashment has been non-UK resident for a period during their ownership of the bond, when that bond is surrendered, the gain should be reduced by the period of non-UK residence as a proportion of that individual's ownership period

- Since 6 April 2013, TAR has been extended to cover new bonds issued by UK-based insurers on or after that date, as well as bonds issued by UK insurers before 6 April 2013 which are varied on or after that date in such a way that results in an increase in the benefits secured.

TIME APPORTIONMENT RELIEF (TAR)

TAR is available in respect of the period when the individual liable to tax (as opposed to the "policy holder") is non-UK resident throughout the "material interest period"

Material interest Period is where:

- The individual beneficially owns the rights under the policy or contract, OR
- The rights are held on non-charitable trusts which the individual created (although isn't available if the policy is held by non-UK trustees), OR
- The rights are held as security for the individual's debt.

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TIME APPORTIONMENT RELIEF – THE CALCULATION

- Calculate gain in normal way using (A+B)-(C+D) method
- Only gain relevant to period when UK resident is taxed, i.e. 'the gain is reduced by appropriate fraction'

$$\text{Gain} \times \frac{\text{Period of non-residence in UK of tax payer (in days)}}{\text{Total period the policy in force in the material interest period (in days)}}$$

i.e. £100,000 gain, bond held for 10 years, 6 of which the tax payer is not UK resident

$$\pounds 100{,}000 \times \frac{2190 \text{ (Days non-UK Resident)}}{3650 \text{ (Days policy in force)}} = \pounds 60{,}000$$

UK taxable gain = (£100,000 - £60,000) = **£40,000**

£40,000 would then be used in our TSR calculations although only 4 years can be used as the figure "N".

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MAXIMISING TOP-SLICING ADVANTAGE

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STAR STUDDED SUCCESS

- For many years John Smith ran a very successful business with multiple outlets across the country
- He boasted many rich and famous people amongst his clientele
- In 1999, after a period of expansion, John began drawing profits from his business:
  - On discussion with his accountant he decided to draw a **£50,000 bonus (net of tax and NICs)**
  - His Ltd company funds always funded his pension up to the annual Allowance, and he maximised his ISA contributions monthly from salary.

A BLANK CANVAS

What are the options for investing the net bonus?

- **VCT**
- **EIS**
- **Collective (OEIC)**
- **Investment bond**
- **Etc.?**

Although John could have used a VCT or EIS investment to reduce his income tax liability he was not comfortable with the investment options available.

DECISION TIME

COLLECTIVES:

John could take advantage of;

- **Savings Allowances**
- **Dividend allowance**
- **CGT Annual exemption**

INVESTMENT BONDS:

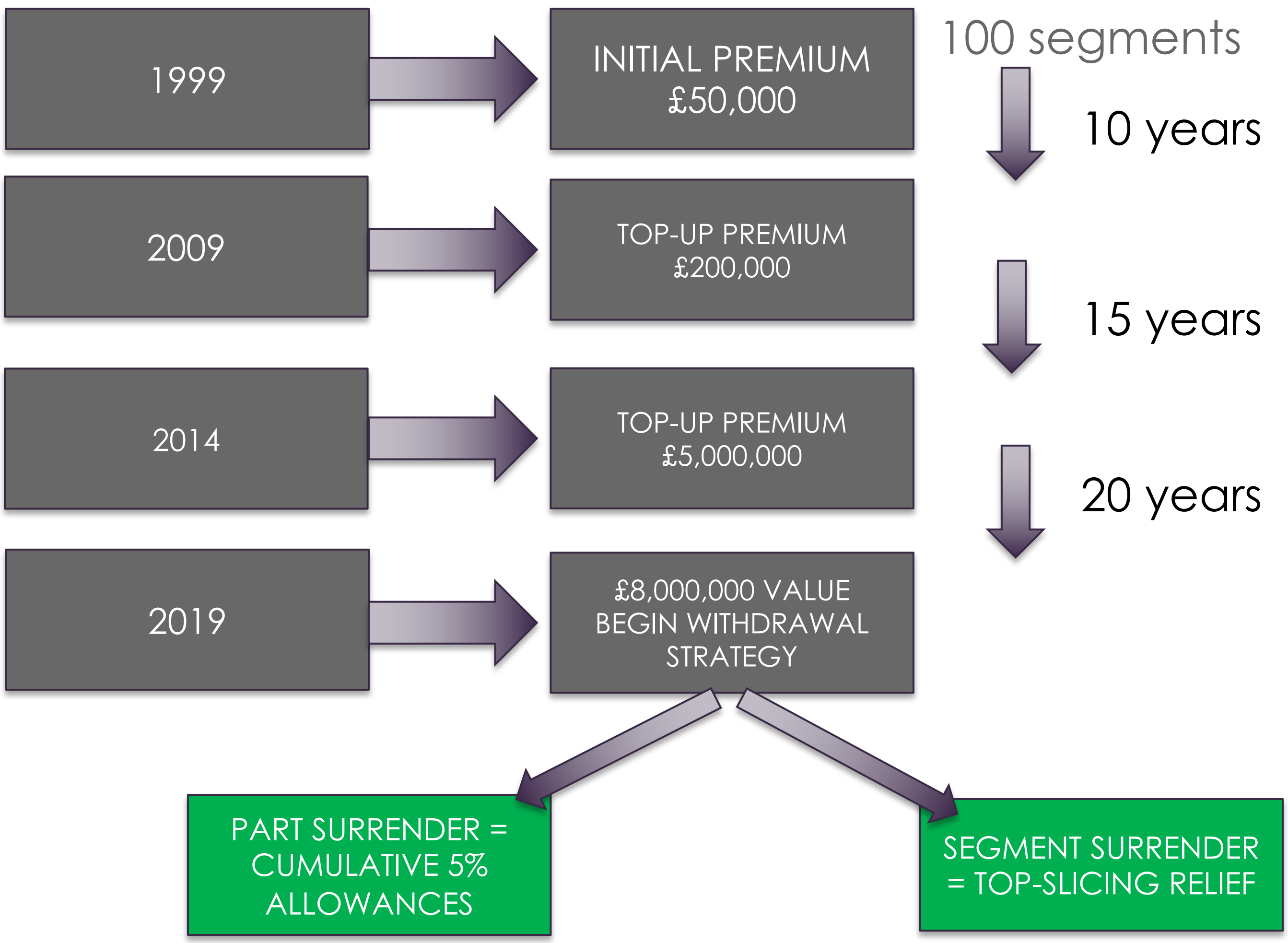
John could take advantage of;

- **Savings Allowances**
- **Tax deferral**
- **CGT free fund switching**
- **Top-slicing**

He decides to effect an international bond with an initial premium of £50,000.

The premium is divided between 100 segments.

JOHN'S INVESTMENT BOND – DE-ACCUMULATION



JOHN SMITH - NO HIGHER RATE TAX

Facts about the client:

- 2020/21 Personal allowance £12,500
- Non-savings income £0
- 2020/21 basic rate band of £37,500
- **27 segments surrendered for £2,160,000 (£80,000/segment)**
- **Chargeable event gain £742,500 (2,160,000 – 1,417,500)**
- Top-slice divisor 20 => top-sliced gain £37,125.

Assumptions:

- 2020/21 Personal allowance £12,500
  (reduced to £0 as ANI is over £125,000)
- 2020/21 basic rate band of £37,500
- 2020/21 higher rate threshold of £150,000.

JOHN SMITH - NO HIGHER RATE TAX

Step 1:

Calculate the total income tax liability for the year relating to the chargeable gain.

No PA

No PSA

£5,000 @ 0% SRBS = £ 0

£32,500 of gain @ 20% = £ 6,500

£112,500 of gain @ 40% =£ 45,000

£592,500 of gain @ 45% =£266,625

Tax relating to gain from investment bond = **£318,125**

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JOHN SMITH - NO HIGHER RATE TAX

NOW THE TOP-SLICING EXERCISE…

Step 2:
Calculate the total tax due on the gain across all tax bands & deduct basic rate tax treated as paid.

– Tax on gain £318,125 - £148,500 (BRTC) = **£169,625**

Step 3:
Calculate the annual equivalent of the gain £742,500/20 = £37,125

Step 4:
Calculate the individual's liability to tax on the annual equivalent

- £12,500 @ 0%
- £5,000 @ 0% = £ 0
- £19,625 @ 20% = £3,925
- £3,925 - £4,925(BRTC) = £ 0

Relieved liability = £0 x N = £0

Step 5:
Calculate top slicing relief = Step 2 – Step 4
Top Slice Relief = £169,625 - £0 = £169,625

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JOHN SMITH - NO HIGHER RATE TAX

Step 6:

Tax liability after top-slicing relief

- Tax relating to gain from investment bond = £318,125
- *Top-slicing relief* = ***£169,625***
- ***Tax liability*** = ***£148,500***

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JOHN SMITH INVESTMENT BOND

Total Proceeds	£2,160,000
Tax Due on 27 segments at a gain of £27,500 per segment	£ 148,500
Net Proceeds	£2,011,500

Plus 5% withdrawals available on remaining 73 segments:

£50,000 x 73/100 x 5% x20	£ 36,500
£200,000 x 73/100 x 5% x 11	£ 80,300
£5,000,000 x 73/100 x 5% x 6	£ 1,095,000
	£ 1,211800

Total net withdrawals without higher rate tax **£3,223,300**

IN SUMMARY

HOW DO THE WRAPPERS COMPARE?

	COLLECTIVES	O/S INVESTMENT BONDS
Taxes payable within the wrapper	Rental income 20%, otherwise tax free within the collective	Tax free
Re-balancing/switching	Taxable, offset losses, part disposals?	Tax free
Dividends/Interest/withdrawals	Taxable if in excess of allowances	Non Income producing, 5% withdrawals
IHT Planning – gifting/assignment	Disposal for CGT	Not chargeable. Conversion option
Discretionary Trusts	Tax pool reconciliations	Simplified tax regime
Taxation on death	No CGT (death uplift) but IHT	No CE if multiple lives assured or CRB
Disposal/encashment	CGT	Chargeable event subject to income tax after TSR and TAR

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ANY QUESTIONS?

IMPORTANT INFORMATION

The information contained in this document does not constitute advice. It is designed for financial adviser use only and is not intended for use with individual investors.

Information regarding tax and practise is based on our interpretation of current legislation and HM Revenue & Customs policy/practice in the UK, Isle of Man and Ireland as at 01 October 2020. Tax treatment is subject to change and individual circumstances. There is therefore a risk that the value of the tax treatment provided by a bond may change.

International bonds are intended to be a medium (at least 5 years old) to long term (over 10 years) investment. The value of investments may fall as well as rise and is not guaranteed. Your client or their trustees may get back less than originally invested.

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