



TOP SLICING RELIEF PART II

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STEVE SAYER APFS, TEP

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AGENDA

- › The webinar will last for around 60 minutes, including Q&A.
- › The aim of session is to provide an in depth analysis of the taxation of investment bonds.

PART II

TSR - RECAP

TSR - PLANNING STRATEGIES:

- AVOIDING TRUSTEE RATES
 - TOP UPS OR NEW BONDS?
 - TIME APPORTIONMENT RELIEF
 - ONGOING INCOME
-

TSR – Q&A

TOP SLICING RELIEF (TSR) RECAP

Chargeable event gains.

Top-slicing relief:

- › It is not a simple calculation and the shortcut method may not work due to introduction of various nil-rate savings bands
- › Watch where dividends are paid
- › Complications can occur with more than one gain.



TSR PLANNING STRATEGIES

STRATEGY ONE

AVOIDING THE TRUSTEE RATE

- › There is no top slicing in computing income for the purposes of calculating entitlement to age-related allowances, or child or working tax credits. The full amount of the gain is included for these purposes
- › Top-slicing relief is only available to individuals and not available to companies, trustees* or personal representatives.

* Top-slicing relief will be available where chargeable gains fall on settlor during their lifetime or in the tax year of their death.

INVESTMENT BONDS HELD IN TRUST

SETTLOR IS UK RESIDENT AT TIME OF GAIN OR GAIN FALLS WITHIN TAX YEAR OF DEATH

Gains realised due to trustees surrendering:

ASSET/INVESTMENT	TYPE OF RETURN	WHO IS TAXED	RATE OF TAX
Onshore bond	Chargeable gains	Settlor	Marginal rate (top-slicing)
Offshore bond	Chargeable gains	Settlor	Marginal rate (top-slicing)

Gains realised by the UK resident trustees in a tax year after the settlor's death/ or settlor not UK resident:

ASSET/INVESTMENT	TYPE OF RETURN	WHO IS TAXED	RATE OF TAX
Onshore bond	Chargeable gains	UK resident Trustees	25% (no top-slicing)*
Offshore bond	Chargeable gains	UK resident Trustees	45% (no top-slicing)*

*Above the standard rate band for Discretionary Trusts of £1,000.

STRATEGY ONE

AVOIDING THE TRUSTEE RATE

- › **£100,000** settled onto a discretionary trust **15** years ago
- › Monies invested in a **O/S Bond**
- › Current value **£320,000**
- › No additions have been made and no withdrawals have been taken to date
- › Trustees have decided to distribute the monies to the beneficiary
- › Settlor earns £150,000 p.a.
- › Beneficiary earns £30,000 p.a.

INVESTMENT BONDS HELD IN TRUST

15 FULL POLICY YEARS

Settlor UK resident earning	£150,000 p.a.
Original investment	£100,000
Value at surrender	£320,000

CEG $(£320,000 + 0) - (£100,000 + £0) = \underline{\underline{£220,000}}$

Settlor liable to tax on £220,000 x 45% = £99,000

But, if the settlor is no longer UK resident or has died in a previous tax year:

Trustees liable to tax on £220,000 x 45% = £99,000*

*Ignoring the standard rate band of £1,000

AVOIDING THE SETTLOR'S AND TRUSTEES RATES?

- › Assignment of policy or segments to beneficiary prior to surrender - to avoid tax falling on settlor or trustees
- › Use CRB so that chargeable events only occur when the trustees want them to, i.e. on a life policy death of life assured could also bring trust to an end triggering trustee rates following death of settlor
- › Result – gains are subject to the beneficiary's prevailing rates of tax
- › TSR may then also be available.

TOP SLICING RELIEF CALCULATION

SIX STEPS

- Step 1:** Calculate the **total income tax liability** for the year including bond gain using usual order of taxation. Work out gain on bond.
- Step 2:** Calculate the total **tax due on the gain** across all tax bands (watch for dividends). **Deduct basic rate tax treated as paid.** *NB the order here changes if there are dividends – gains sits as highest form of income.
- Step 3:** Calculate the **annual equivalent of the gain**. The annual equivalent is calculated by dividing the gain by N* (the top-slice divisor)
**N can be different depending on when bond issued, or whether it was varied on or after 6 April 2013 and the event type.*
- 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).

RELIEVED TAX LIABILITY

FOR STEP 4 | CALCULATION OF THE RELIEVED TAX LIABILITY:

- › Post March 2020 budget the **availability of the PA for top-slicing purposes is determined by the slice plus other income**
- › Potentially an extra £12,570 (per annum) to reduce the relieved tax liability
- › When considering someone with access to the full PA HRT starts at £50,270 or where **taxable income** exceeds £37,700
- › When considering relieved liability - assume the beneficiary has non-savings income of £30,000 and thus non-savings taxable income of £17,430. Policy has been held for 15 years (N).

AVOIDING THE SETTLOR'S AND TRUSTEES RATES?

BENEFICIARY CEG £220,000 NSI £30,000 N = 15, NO OTHER INCOME

STEP 1:

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

No PA (>£125,140), No SRBS (NS taxable income >£5,000), No PSA (additional rate):

£30,000 of NSI @ 20%	
£7,700 of gain @ 20%	= £ 1,540
£112,300 of gain @ 40%	= £44,920
£100,000 of gain @ 45%	= £ 45,000

Tax relating to gain from investment bond = **£91,460**

Now the top-slicing exercise...

AVOIDING THE SETTLOR'S AND TRUSTEES RATES?

BENEFICIARY CEG £220,000 NSI £30,000 N = 15, NO OTHER INCOME

STEP 2

Calculate the total tax due on the gain and deduct basic rate tax treated as paid

Tax on gain £91,460 - £44,000 (BRTC) = **£47,460**

STEP 3

Calculate the annual equivalent of the gain by dividing by the relevant number of years "N"
 $£220,000/15 = £14,667$

STEP 4

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

- PA offset against NSI
- £14,667 @ 20% £ 2,934
- £2,934 - £2,934 (BRTC) = £0

Relieved liability = £0 X 15 = £0

AVOIDING THE SETTLOR'S AND TRUSTEES RATES?

BENEFICIARY CEG £220,000 NSI £30,000 N = 15, NO OTHER INCOME

STEP 5:

Calculate top slicing relief = Step 2 – Step 4

Top Slice Relief = £47,460 - £0 = £47,460

STEP 6:

Tax liability after top-slicing relief
Tax relating to gain from investment
bond = £91,460

Top-slicing relief = £47,460

Tax liability reduced to = £44,000

AVOIDING THE SETTLOR'S AND TRUSTEES RATES?

BENEFICIARY CEG £220,000 NSI £30,000 N = 15, NO OTHER INCOME

	SETTLOR ART	TRUSTEES	BENEFICIARY BRT
Tax	45%	45%	20%
Top Slicing Relief	No	No	Yes, NSI is £30,000
N	15	N/A	15
Slice	£14,667	N/A	£14,667
TSR	Nil	N/A	£47,460
Tax due	99,000	99,000*	£44,000

Assignment here has saved £55,000 in tax!

* Ignoring the standard rate band of £1,000

STRATEGY TWO

MULTIPLE TAX YEARS

Instead of surrendering all the segments in one tax year it may be better:

Surrender a reduced number of segments over multiple years to reduce the ANI. The amount of segments to surrender will vary with the individuals circumstances due to availability to:

- › PA (reduced for ANI > £100,000).
- › SRBS (Only available where non-savings taxable income < £5,000).
- › PSA (£1,000, £500 or zero for ART).
- › Tax rates.

STRATEGY TWO

MULTIPLE TAX YEARS | A CEG OF £200,000

Sophie - ANI, income over £100,000

For 2022/23 Sophie's taxable income is £250,000, made up of:

- › Income from self-employment £40,000
- › Income from property £10,000
- › CEGs due to surrender of £200,000
- › Bond held over 10 years.

There are no further adjustments to Sophie's net income, so this is her adjusted net income.

STRATEGY TWO

MULTIPLE TAX YEARS | A CEG OF £200,000

STEP 2

	22/23 ALL SEGMENTS	TOP SLICING CALCULATION	RE-ORDER INCOME FOR TS. DIVIDENDS NOW ABOVE CHARGEABLE GAINS IN INCOME TAX ORDER.			
			Non Savings	Savings	Dividends	Gain
STEP 1 Total tax	85,000					
STEP 2 - BRTS	45,000	Gross Pension Contribution	0			
STEP 3 - Slice	20,000	Earnings	50,000			
STEP 4 - RTL	39,460	Interest		0		
STEP 5 - TSR	5,540	Dividends			0	
STEP 6 - Tax	79,460	Chargeable gain				200,000
		Less PA	0	0	0	0
		Totals	50,000	0	0	200,000

BOND TAX	
£0 SRBS	0.00
£0 PSA	0.00
£0 gain @ 20% BRT	0.00
£100,000 gain @ 40% HRT	40,000
£100,000 gain @ 45%	45,000
	85,000
Less Basic rate Tax Credit	40,000

STRATEGY TWO

MULTIPLE TAX YEARS | A CEG OF £200,000

STEP 4 RELIEVED TAX LIABILITY	
TAX ON SLICE	
£0 SRBS	0
£0 PSA	0
£270 gain @ 20% BRT	54
£19,730 GAIN @ 40% HRT	7,892
£0 gain @ 45% ART	0
	7,946
Less BRTC 20000 @ 20%	4,000
Tax on slice x N =	
RELIEVED TAX LIABILITY	39,460

STEP 5 TOP SLICING RELIEF	
STEP 2 – STEP 4	5,540

STEP 6 TAX ON BOND AFTER TSR	
STEP 1 – STEP 5	79,460

Full personal allowance available

STRATEGY TWO

MULTIPLE TAX YEARS | CEG £200,000 V 2 YEARS OF £100,000

	22/23 ALL SEGMENTS	22/23 50% SEGMENTS	23/24 50 % SEGMENTS
STEP 1 Total tax	85,000	39,800*	39,800*
STEP 2 – BRTS	45,000	19,800	19,800
STEP 3 – Slice	20,000	10,000	9,091**
STEP 4 - RTL	39,460	18,000*	17,791*
STEP 5 - TSR	5,540	1,800	2,009
STEP 6 - Tax	79,460	38,000	37,791

Tax Saved £3,669

* PSA now available for both Step 1 and 4

** Assumed surrender is in a new policy year N = 11

ASSIGN TO LOWER INCOME SPOUSE

CEG is £200,000 SPOUSE NSI £35,000

STEP 2

	22/23 ALL SEGMENTS	RE-ORDER INCOME FOR TS. DIVIDENDS NOW ABOVE CHARGEABLE GAINS IN INCOME TAX ORDER.				
		TOP SLICING CALCULATION	Non Savings	Savings	Dividends	Gain
STEP 1 Total tax	83,710	Gross Pension Contribution	0			
STEP 2 – BRTS	43,710	Earnings	35,000			
STEP 3 – Slice	20,000	Interest		0		
STEP 4 – RTL	9,460	Dividends			0	
STEP 5 - TSR	34,250	Chargeable gain				200,000
STEP 6 - Tax	49,460	Less PA	0	0	0	0
		Totals	35,000	0	0	200,000
		BOND TAX				
		£0 SRBS		0.00		
		£0 PSA		0.00		
		£2,700 gain @ 20% BRT		540		
		£112,300 gain @ 40% HRT		44,920		
		£85,000 gain @ 45%		38,250		
				83,710		
		Less Basic rate Tax Credit		40,000		
		Tax after BRTC		43,710		

ASSIGN TO LOWER INCOME SPOUSE

CEG is £200,000 SPOUSE NSI £35,000

STEP 4 RELIEVED TAX LIABILITY	
TAX ON SLICE	
£0 SRBS	0
£0 PSA	0
£15,270 gain @ 20% BRT	3,054
£4,730 gain @ 40% HRT	1,892
£0 gain @ 45% ART	0
	4,946
Less BRTC 20000 @ 20%	4,000
Tax on slice x N =	
RELIEVED TAX LIABILITY	9,460

STEP 5 TOP SLICING RELIEF	
STEP 2 – STEP 4	34,250

STEP 6 TAX ON BOND AFTER TSR	
STEP 1 – STEP 5	49,460

ASSIGN TO LOWER INCOME SPOUSE

SPOUSE NSI £35,000, MULTIPLE TAX YEARS

	22/23 ALL SEGMENTS	22/23 50% SEGMENTS	23/24 50% SEGMENTS
STEP 1 Total tax	83,710	39,360	39,360
STEP 2 - BRTS	43,710	19,360	19,360
STEP 3 - Slice	20,000	10,000	9,091*
STEP 4 - RTL	9,460	0	0
STEP 5 - TSR	34,250	19,360	19,360
STEP 6 - Tax	49,460	20,000	20,000

Tax Saved £9,460

* Assumed surrender is in a new policy year N = 11

SUMMARY

- | | |
|---|-----------------|
| › Sophie surrenders in 22/23 | Tax due £79,460 |
| › Sophie surrenders either side of the tax year | Tax due £75,791 |
| › Assign to spouse | |
| › Surrenders in 22/23 | Tax due £49,460 |
| › Surrenders either side of the tax year | Tax due £40,000 |

Potential tax saved £39,460

(2)

TSR TOP UPS OR NEW BONDS?

TOPPING UP INVESTMENT BONDS

- › The tax treatment of Investment Bonds can be complex and there are a number of interesting anomalies
- › One consideration is whether to top-up an existing Investment Bond or effect a new Investment Bond when new additional funds are available for investment.

LAUREN | NEW OR EXISTING BOND

OPTIONS 1 AND 2

Facts:

Parents invested £150,000 into an investment bond.

10 years later the bond is assigned to Lauren.

1. At this point, the bond is worth £300,000 and Lauren invests a further £500,000 **via a top up, OR**
2. Lauren invests a further £500,000 **via a NEW BOND**

The bond is then encashed 5 years later.

ASSUMPTIONS

- › The funds grow at 4% p.a. net (after charges)
- › She takes no withdrawals or adviser charges in the 5 year period
- › They are encashed at the same time
- › Ignoring other policy charges for now and time apportionment relief.

What is the tax impact of the different strategies?

ENCASHMENT VALUE

TOP UP OR NEW BOND?

LAUREN TOPS UP EXISTING BOND

Investment bond value:

$$(\pounds 300,000 + \pounds 500,000) * 1.04^5$$

=

£973,322

LAUREN TAKES OUT A NEW BOND

Investment bond value:

$$(\pounds 300,000) * 1.04^5$$

Plus

$$(\pounds 500,000) * 1.04^5$$

=

£973,322

The surrender values are the same... so what is the difference?

TOP SLICE TO ADD TO LAUREN'S INCOME

Single Investment Bond

Encashment value	£ 973,322
Less investment (£150,000 + £500,000)	£ 650,000
Chargeable gain	£ 323,322
Top slice divisor	15

Chargeable gain £323,322

Top sliced gain £21,554

TOP-SLICE TO ADD TO LAUREN'S INCOME

NEW BOND FOR TOP UP

Bond A (existing)

Encashment value	£364,995
Less investment	£ 150,000
Chargeable gain	£ 214,995
Top slice divisor	15
Top sliced gain	£ 14,333

Bond B (new bond)

Encashment value	£608,327
Less investment	£ 500,000
Chargeable gain	£ 108,327
Top slice divisor	5
Top sliced gain	£ 21,665

Total chargeable gains £323,322 (same)

Total top sliced gain of £35,998!

SUMMARY

- › Whilst the total gains are the same Lauren benefits from a full 15 years of top-slicing relief on full surrender if she tops up the bond
- › Conversely, if she takes out a new bond the top sliced gain is larger
- › The bigger the top –slice...
- › The bigger the potential tax bill...
- › And possible additional administration charges as well
- › What if the larger top-slice pushes the Lauren into the higher rate band?
- › What if Lauren leaves the UK for a period...?



TSR AND TIME APPORTIONMENT RELIEF

TIME APPORTIONMENT REDUCTIONS | AN OVERVIEW

- › 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, Time Apportionment Reductions (TAR) have 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
- › Variations include an increase to the benefits payable (top up), assignments irrespective of consideration and where the bond is held for security against a debt.

TIME APPORTIONMENT REDUCTIONS

POST APRIL 2013 POLICIES

Time apportionment reductions 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 (MIP)”.

MIP 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
- › MIP is combined for assignments between spouses.

TIME APPORTIONMENT REDUCTIONS

HOW IT WORKS

- › Calculate gain in the normal way
- › Only the gain relevant to period when the policy owner was UK resident is taxed, i.e. 'the gain is reduced by appropriate fraction' i.e.:

$$\text{Gain} \quad \times \quad \frac{\text{Period of non-residence in UK (in days)}}{\text{Total period policy in force (in days)}}$$

- › Reduced gain is liable to tax in the normal way.



A CASE STUDY

USING TSR WITH INHERITANCE TAX
PLANNING

IHT PLANNING AND THE NEED FOR INCOME

- › John is a widower with two children. His spouse previously left all of their assets to John
- › He is 67 years old and is in receipt of the state pension and a personal pension
- › He inherited a house from his parents which is worth £500,000. He will leave the full value of the house to the children (his direct descendants)
- › He also has other assets including an ISA, onshore bond and a GIA
- › He has not made any provision for charitable gifts
- › He wishes to maximise his income to travel whilst planning for any IHT liabilities.

JOHN'S ASSETS

Home	£500,000
ISA	£400,000
GIA	£100,000
Onshore Bond	£600,000
TOTAL	£1,600,000

Current IHT position:

Nil Rate Bands	= £650,000 (NRB + TNRB)
Residence Nil Rate Bands	= £350,000 (RNRB + TRNRB)
	<u>£ 1,000,000</u>
£1,600,000 - £1,00,000	= £600,000
£600,000 @ 40%	= <u>£240,000 IHT</u>

IHT PLANNING AND THE NEED FOR INCOME

Details:

- › Initial investment of £300,000
- › Date of investment 3 January 2009
- › No withdrawals have been made to date
- › Value is now £600,000
- › No conversion option to a discounted gift scheme.

John's other income for TSR:

- › Pension of £25,000
- › Dividend income £2,000.

John would like to increase his net 'income' if possible.

IHT PLANNING AND THE NEED FOR INCOME

CEG SLICED OVER 13 YEARS

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.

TOTAL TAX	NON SAVINGS	SAVINGS	DIVIDEND	CE GAIN
Gross Pension Contributions	0			
Taxable Non Savings Income	25,000			
Interest				
Chargeable Gain				
Dividends			2,000	
Onshore Bond Gain				300,000
Less Personal Allowance	0	0	0	0
Totals	25,000	0	2,000	300,000

BOND TAX	
£0 SRBS	0
£0 PSA	0
£10,700 gain @ 20% BRT	2,140
£112,300 gain @ 40% HRT	44,920
£177,000 gain @ 45% ART	79,650
Less BRT	-60,000
Tax on Onshore Bond	66,710

IHT PLANNING AND THE NEED FOR INCOME

CEG SLICED OVER 13 YEARS

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 £126,710 - £60,000 (BRTC) = **£66,710**

* We don't need to re-order in step 2 with an onshore bond as the gains are already taxed as highest form of income

IHT PLANNING AND THE NEED FOR INCOME

CEG SLICED OVER 13 YEARS

Step 3: Calculate the **annual equivalent of the gain**. The annual equivalent is calculated by dividing the gain by N (the top-slice divisor).

<u>Annual Equivalent</u>	<u>23,077</u>
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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.

RELIEVED TAX LIABILITY	
Tax on Slice	
£23,077 gain @ 20% BRT	4,654
£0 gain @ 40% HRT	0
£0 gain @ 45% ART	0
	4,615
Less BRTC 6000 @ 20%	4,616
Tax on slice x N =	
RELIEVED TAX LIABILITY	0

IHT PLANNING AND THE NEED FOR INCOME

CEG SLICED OVER 13 YEARS

Step 5: Calculate top-slicing relief by **subtracting result of Step 4 from result of Step 2.**

STEP 2 - STEP 4	66,710
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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).

STEP 1 - STEP 5	0
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IHT PLANNING AND THE NEED FOR INCOME

CEG SLICED OVER 13 YEARS

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.

RELIEVED TAX LIABILITY

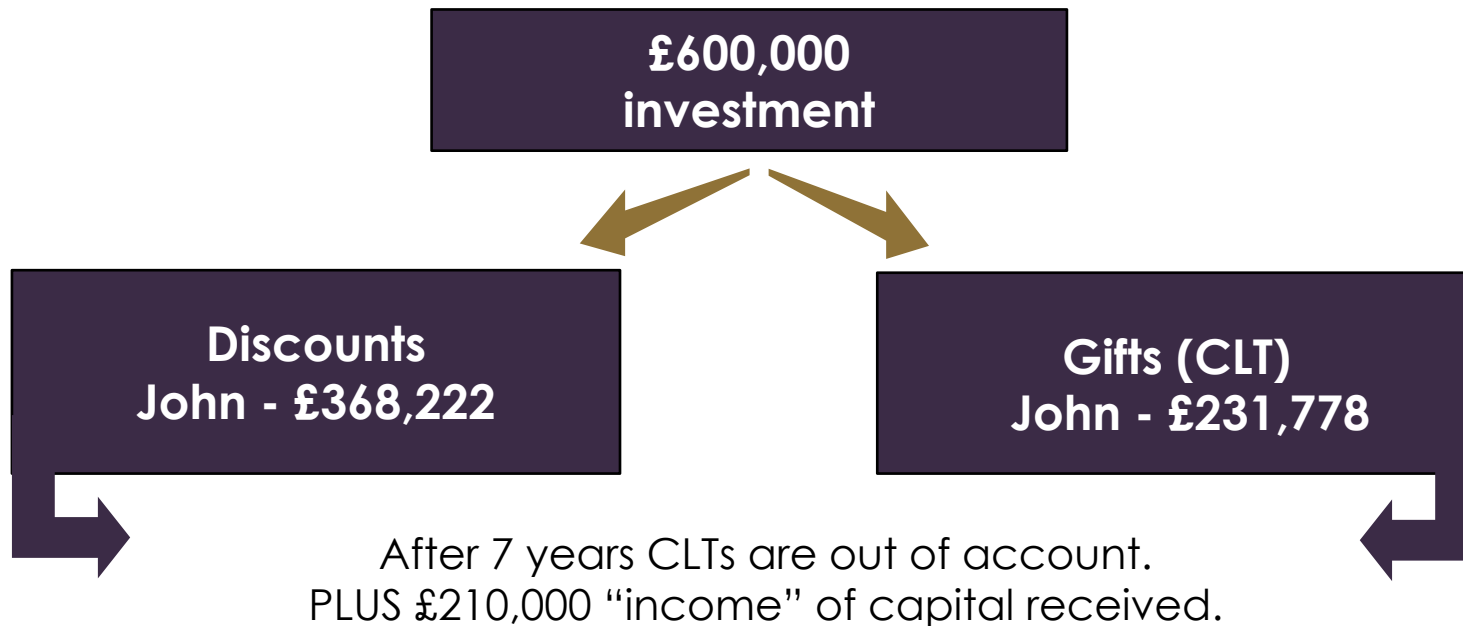
Tax on Slice	
£23,077 gain @ 20% BRT	4,654
£0 gain @ 40% HRT	0
£0 gain @ 45% ART	0
	4,615
Less BRTC 6000 @ 20%	4,616
Tax on slice x N =	
RELIEVED TAX LIABILITY	0

Ideally, you want the tax on the slice to equate to less than BRT so, when you deduct the equivalent of BRT, this ends up at zero.

DISCOUNTED GIFT TRUST

SINGLE SETTLOR

John is taking 5% withdrawals monthly in arrears



* Source: Utmost Wealth discounted gift trust calculator 11/10/2022. Standard terms based upon normal health

JOHN'S REVISED IHT POSITION

ASSUME JOHN DIES WITHIN 7 YEARS OF SETTLING DGT

Home	£500,000
ISA	£400,000
GIA	£100,000
TOTAL	£1,000,000

Assume transfers into discounted gift trusts have **not** fallen “out of account” and values have not altered

Current IHT position:

Nil Rate Bands	£650,000 - £231,778	= £418,222
Residence Nil Rate Band		= £350,000 (RNRB + TRNRB)
		<u>£768,222</u>
IHT Due		= £1,000,000 - £768,222 = £231,778 x 40%
		£92,711

JOHN'S REVISED IHT POSITION

ASSUME JOHN DIES AFTER 7 YEARS OF SETTLING DGT

Home	£500,000
ISA	£400,000
GIA	£100,000
TOTAL	£1,000,000

Assume transfers into discounted gift trusts have fallen "out of account" and values have not altered

Current IHT position:

Nil Rate Bands	= £650,000
Residence Nil Rate Band	= £350,000 (RNRB + TRNRB)
	<u>£1,000,000</u>
IHT Due	= £Nil

INVESTMENT BONDS HELD IN TRUST

SETTLOR(S) STILL ALIVE AND UK RESIDENT

ABSOLUTE TRUST

Asset	Type of return	Who is taxed?	Rate of tax
Offshore or onshore bond	Chargeable gains	<ol style="list-style-type: none"> 1. Adult Beneficiary 2. Donor if they are the parent of minor beneficiary(ies) 	Marginal rate (top-slicing relief may apply)

DISCRETIONARY TRUST

Asset	Type of return	Who is taxed?	Rate of tax
Offshore or onshore bond	Chargeable gains	<ol style="list-style-type: none"> 1. Settlor. Gain apportioned between the settlors if more than one 2. Beneficiaries if bond assigned to them 	Marginal rate (top-slicing relief may apply)

HOW WE CAN HELP

PRE CHARGEABLE EVENT CALCULATION

Thank you for your request for a chargeable event calculation for this policy

Below, we set out the essential policy details including the annual and cumulative 5% allowance, as well as the gain/loss for a segment surrender and any chargeable gain that would arise should the policy be fully surrendered at this time. All of the standard policy information is contained in the boxes with a GOLD headline

According to our understanding of HM Revenue & Customs rules relating to withdrawals a policyholder may withdraw up to 5% of the initial premium per policy year as a potentially tax deferred allowance. A policy year runs from the policy anniversary to the day before the anniversary the following year. Any unused allowance is carried forward to the following policy year. A withdrawal amount exceeding the allowance is a chargeable event and the policyholder may be liable to pay tax on chargeable event gains at their rate of income tax.

5% Allowance details

Allowance category	Value (£)
Annual 5% allowance	56,000.00
Unused (cumulative) 5% allowance to the end of the current policy year ignoring any planned withdrawals	502,744.83
Unused (cumulative) 5% allowance to the end of the current policy year assuming any planned withdrawals are taken (this may include planned adviser charges)	502,665.38

Individual segment details

Segmentation	Value (£)
Active segments	40 of 500
Original segment value	28,000.00
Current value per segment	37,331.02
Surrender charge per segment	0.00
Current surrender value per segment	37,331.02
Chargeable Gain Single Segment	16,362.40

Full surrender details

Full Surrender	Actual Amount	Pro-Rata Amount
Premiums paid in to date	14,000,000.00	1,120,000.00
Withdrawals paid out to date (Inc. Adviser Charges)	- 3,702,036.01	-310,055.17
Value of segment surrenders	11,708,139.68	N/A
Previous excess gains	-28,800.00	-28,800.00
Current Bond value	N/A	1,493,240.76
Surrender charge	N/A	0.00
Total surrender value	N/A	1,493,240.76
Chargeable Gain on Full Surrender	N/A	654,495.93

HOW WE CAN HELP

STEP 1 TOTAL TAX BEFORE TSR				
TOTAL TAX	NON SAVINGS	SAVINGS	DIVIDEND	CE GAIN
Gross Pension Contributions	0			
Non Savings Income	25,000			
Interest		0		
Chargeable Gain		0		
Dividends			2,000	
Onshore Bond Gain				300,000
Less Pension Allowance	0	0	0	0
Totals	25,000	0	2,000	300,000

Savings £0	
£0 SRBS	0
£0 PSA	0
BRT ON £0	0
HRT on £0	0
ART on £0	0
TOTAL Savings on tax	£0

Dividend of £2000	
DA of £2000	0
£0 SRBS	0
BRT @ 7.5% on £0	0
HRT @ 32.5% on £0	0
ART @ 38.1% on £0	0
TOTAL Dividend Tax	£0

UK Chargeable gain	
£0 SRBS	0
£0 PSA	0
BRT on £107000	2140
HRT on £112300	44920
ART on £177000	79650
Les BRT Tax	-60000
TOTAL tax on Onshore Bond	66710

Tax on O/S Bond(s)	
£0 SRBS	0
£0 PSA	0
0 gain @ 20%	0
0 gain @ 40%	0
0 gain @ 45%	0
TOTAL Savings on O/S Bond	£0

HOW WE CAN HELP

STEP 2 | TOP SLICING CALCULATION | RE-ORDER INCOME FOR TS. DIVIDENDS NOW ABOVE CHARGEABLE GAINS IN INCOME TAX ORDER

TOTAL TAX	NON SAVINGS	SAVINGS	DIVIDENDs	GAIN
Gross Pension Contributions	0			
Earnings	25,000			
Interest		0		
Dividends			2,000	
Chargeable gain				300,000
Less PA	0	0	0	0
Totals	25,000	0	2,000	300,000

O/S Bond Tax	
£0 SRBS	0
£0 PSA	0
0 gain @ 20%	0
0 gain @ 40%	0
0 gain @ 45%	0
	0
Less Basic rate Tax Credit	0
Tax after BRTC	0

UK Bond Tax	
£0 SRBS	0
£0 PSA	0
£10,700 gain @ 20% BRT	2140
£112,300 gain @ 40% HRT	44920
£177,000 gain @ 45% ART	79650
	12671
	0
Less Basic rate Tax Credit	60000
Tax after BRTC	66710

STEP 3 Annual Equivalent	
Total	23,077

STEP 4 Tax on slice	
PA available of £0	0
£0 SRBS	0
£0 PSA	0
£23,077 gain @ 20% BRT	4615
£0 gain @ 40% HRT	0
£0 gain @ 45% ART	0
	4,615
Less BRTC 23076 @ 20%	4615
Tax on slice x N =	
RELIEVED TAX LIABILITY	0

STEP 5 Top Slicing Relief	
STEP 2 – STEP 4	66,710

STEP 6 Total Tax on the Bond(s) after TSR	
STEP 1 – STEP 5	0



TOP SLICING RELIEF PART II

Q&A

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