

## Non-Qualifying Life Assurance Policies LIABILITY TO INCOME TAX

### Introduction

This leaflet provides further information about chargeable events for the following plans:

- Bond
- Deposit Plan
- Regular Saving Plan
- Personal Investment Plan

These plans are referred to as 'non-qualifying' life assurance policies for tax purposes. This means any chargeable event gain may give rise to an income tax charge. Any chargeable event loss is called a deficiency.

### What is a chargeable event?

A chargeable event for a non-qualifying plan occurs on:

- Surrender of a plan
- Cash withdrawal above the 5% per annum allowance
- The death of the life assured where a claim is payable
- Assignment of a plan for money or money's worth

We have a legal requirement to report certain chargeable events to HM Revenue and Customs (HMRC).

### If you have received a chargeable event certificate

The certificate will normally be issued in the name of the policyholder. You will need the information on it to complete a self-assessment tax return. If you have any queries about completing a tax return, or who is liable to pay any tax as a result of the chargeable event gain, please contact HMRC. We are unable to provide advice or guidance on how to complete tax forms or how this may affect your tax situation.

### If you have received confirmation of a deficiency

If you have made a loss as a result of a chargeable event, this is called a deficiency. It may be possible to use this to reduce your overall tax liability. This is known as 'deficiency relief' and is available where:

- You are a higher rate taxpayer
- You have had previous chargeable event gains on the plan in the same tax year (you must have been the owner of the plan at the time of the gain).

### Disproportionate Gain

If you have had a disproportionate (large) gain in the past, you may apply to HMRC to have this reviewed. If they consider the gain as wholly disproportionate, they will recalculate this on a just and reasonable basis and notify you. Full details can be found on their website [www.hmrc.gov.uk](http://www.hmrc.gov.uk), document reference IPTM3596.

### Policyholders resident outside the UK

If you have been resident outside the UK at any time during the life of your plan, you can take this period into account to reduce any chargeable event gains, provided the plan was:

- assigned or used as security for a debt
- varied or set up from 6 April 2013.

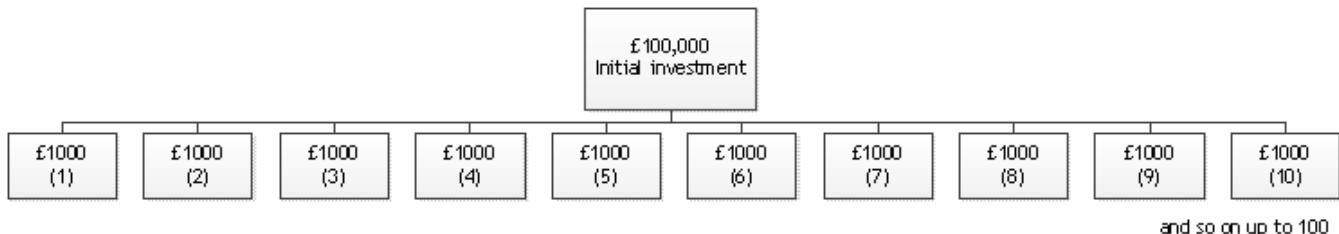
Broadly speaking, gains accrued during an individual's period of residence outside the UK are excluded from UK tax. This is referred to as 'time-apportioned reduction'. Any entitlement to this will not be shown on your certificate, so any reduction will need to be calculated and deducted from the gain shown.

## Withdrawing money from your plan

In each plan year, for a maximum of 20 years, you can withdraw up to 5% of the amount invested without incurring a chargeable event. If you do not use up the 5% allowance, it 'rolls over' to the next plan year.

If you exceed the allowance, this will result in a chargeable event at the end of the plan year. This may give rise to an income tax liability. The 5% allowance restarts at the beginning of the next plan year. All withdrawals are taken into account when the plan is fully terminated.

For example an initial investment of £100,000 split across 100 sub-policies:



You can withdraw cash from your plan in three ways, which may result in a different income tax liability:

- A partial surrender from all sub-policies
- Surrender whole sub-policies
- A combination of the above

When requesting a withdrawal, please make it clear which method you want to choose. It is not possible to change this at a later date.

We are unable to offer advice on whether you should withdraw money or the best way of doing so.

**'Bond - Series 1' plans** - these plans are not split into sub-policies, so the methods of withdrawal described above do not apply.

## Where you can go for further information

The taxation of your plan is complex, and ultimately depends on your personal circumstances. We are unable to provide financial advice, and recommend you contact a suitably qualified adviser, such as an accountant or financial adviser. They will inform you of the fee they charge for this service.

You can also contact the HMRC office that normally deals with your tax affairs. In addition, HMRC Helpsheet 320: 'Gains on UK life insurance policies' is particularly useful and can be found on their website: [www.hmrc.gov.uk](http://www.hmrc.gov.uk)

## Note

Every care has been taken to ensure this information is correct and in accordance with our current understanding of the law and HMRC practice. We are unable to take on the role of an individual, trustee or corporate adviser. Independent confirmation should be obtained before acting, or refraining from acting, in reliance upon information we have provided. The law and HMRC practice are subject to change.

REST ASSURED

Calls may be recorded for training or monitoring purposes.

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