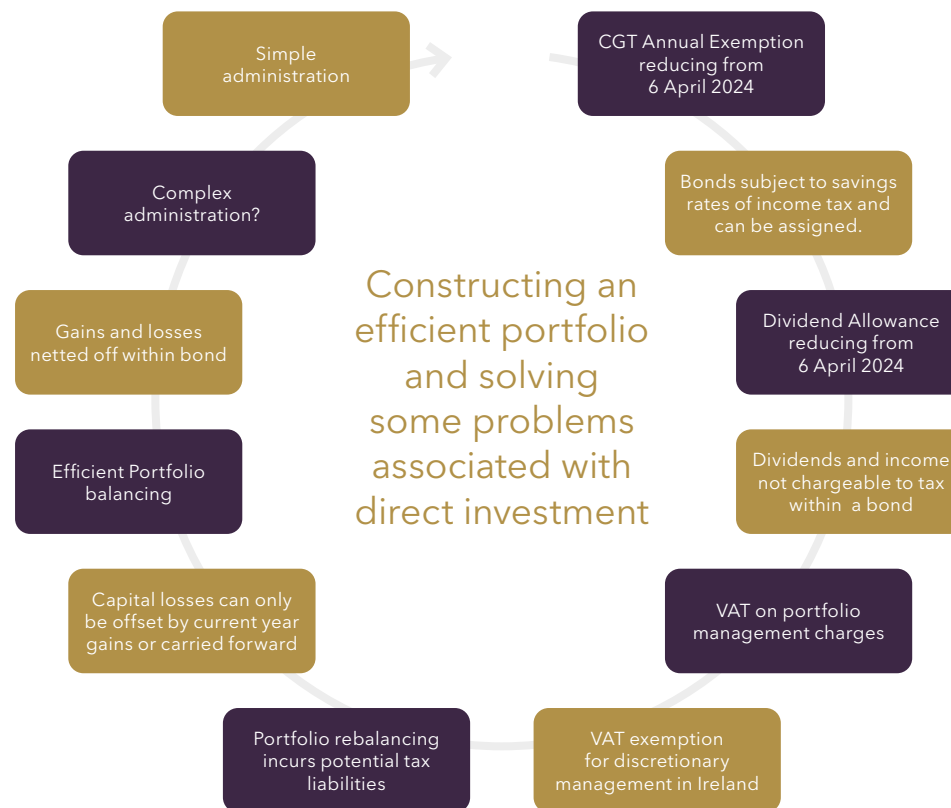


# THE EFFICIENT PORTFOLIO PLANNING WHEEL

## PLANNING FOR THE CHANGES TO UK CAPITAL GAINS TAX

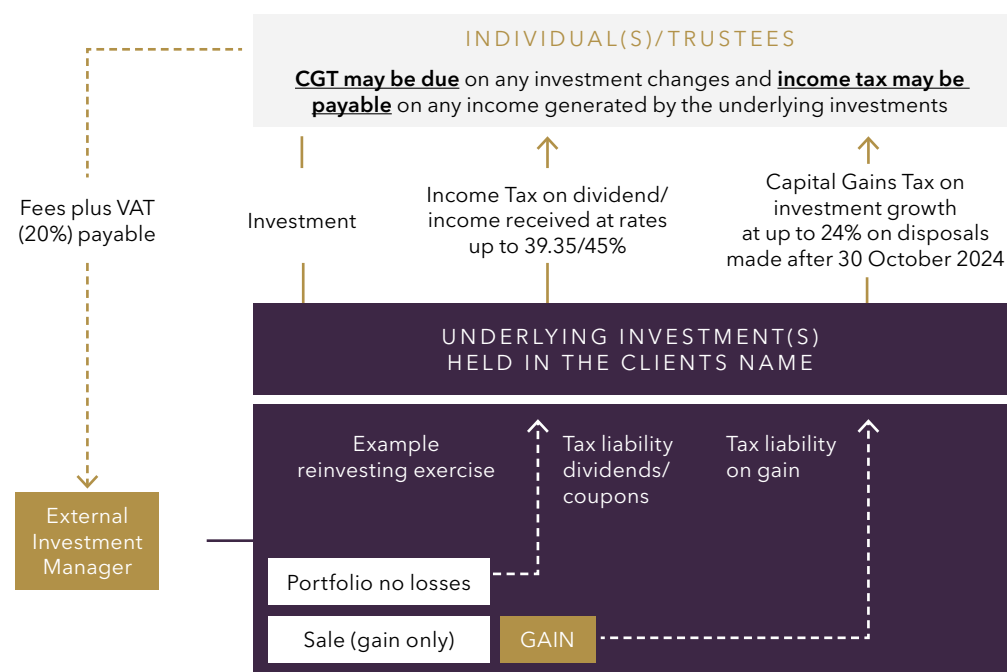
POTENTIAL ISSUES WITH DIRECTLY HELD INVESTMENTS	HOW AN OFFSHORE BOND CAN ASSIST
<b>Reducing annual exemption for Capital Gains Tax (CGT).</b> The CGT annual exemption was reduced to £3,000 from 6 April 2024. Unused CGT annual exemption cannot be carried forward. In contrast, the income tax bands remain frozen until April 2028.	<b>Not subject to Capital Gains Tax.</b> Bonds are subject to savings rates of income tax allowing for tax-deferral. Whilst the personal allowance and income tax thresholds are frozen this is not currently set to reduce. Bonds, or individual policy segments, can be assigned without creating a chargeable event which can allow for efficient tax-planning passing wealth down the generations.
<b>Dividend allowance reduction.</b> The Dividend allowance was reduced to £500 from 6 April 2024.	<b>Dividends not chargeable to tax within bond.</b> Changes to assets within the bond are not subject to CGT. The reduction in the dividend allowance will make bonds more attractive than directly held portfolios, even for people who only have a small amount of gains.
<b>VAT on management of portfolio.</b> Investment management of an external portfolio would usually be subject to VAT at 20%.	<b>VAT exemption in Ireland.</b> Where the discretionary services are provided to an Insurer based in Ireland, the investment management fees are not subject to VAT.
<b>Rebalancing limited by tax considerations.</b> Due to the reduction in annual exemption any partial-disposals of holdings in direct assets may incur a Capital Gains Tax liability.	<b>Efficient Portfolio Rebalancing.</b> Changes to assets within bond not subject to CGT. Disposals of assets that create gains are deferred until a chargeable event occurs under the bond allowing for efficient professional management, i.e. the manager doesn't need to consider the impact of any immediate tax when rebalancing.
<b>Capital losses can only be offset against current year gains or carried forward to be used against future capital gains.</b> Capital losses must first be allocated to current year gains; any excesses can be carried forward.	<b>Gains and losses 'netted off' within bond.</b> Income and/or Gains can be offset against any portfolio losses. No requirement to file returns or to consider which assets to sell to 'net off' capital losses. This allows the manager to focus on generating investment returns without any tax constraints.
<b>Complex administration.</b> Self-assessment for dividends, coupons and capital gains.	<b>Simple administration.</b> No self-assessment until there is a chargeable event.



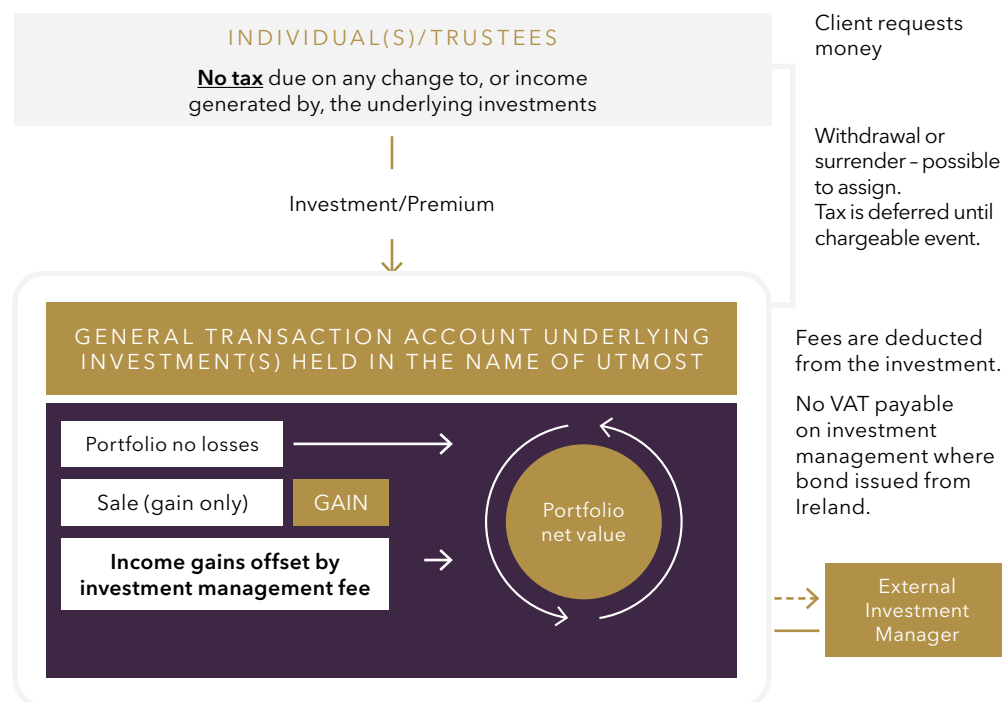
This information is based on Utmost Wealth Solutions' understanding of current tax rules and HM Revenue & Customs' practice as at January 2025. Tax rules may change and depend on individual circumstances.

## EFFICIENT PORTFOLIO PLANNING USING BONDS

### DIRECTLY HELD PORTFOLIO-INCOME & GAINS

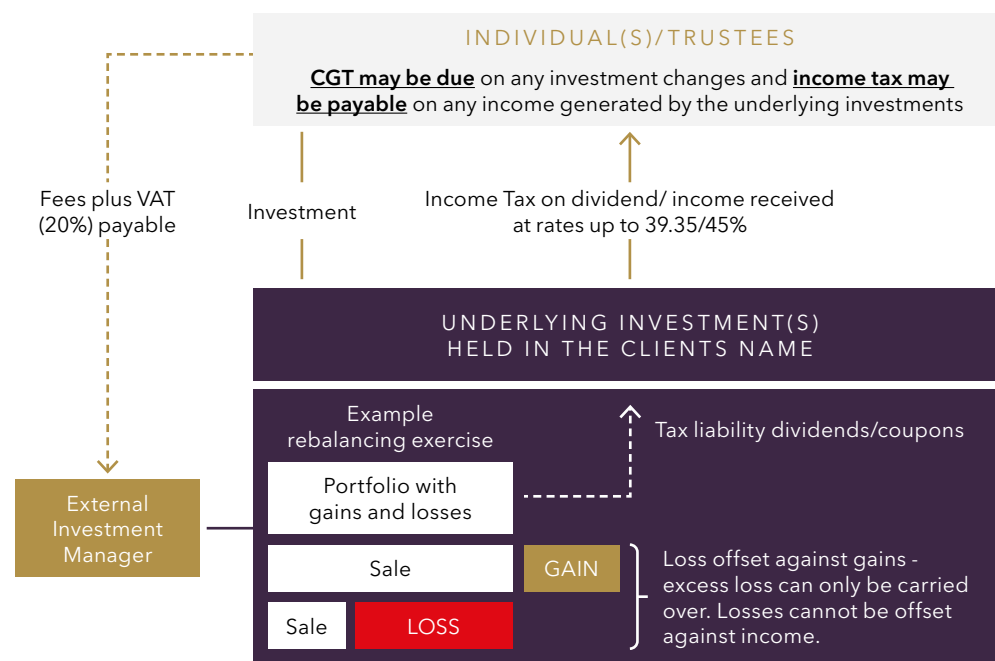


### OFFSHORE INVESTMENT BOND - INCOME & GAINS

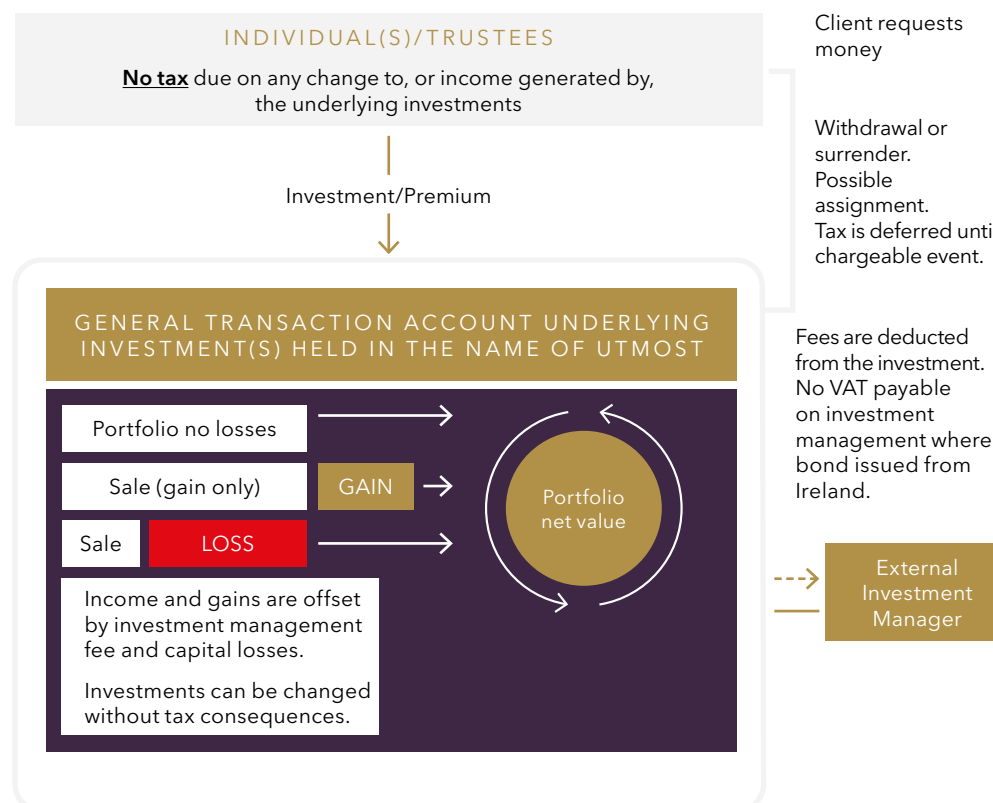


## EFFICIENT PORTFOLIO PLANNING USING BONDS

### DIRECTLY HELD PORTFOLIO - INCOME, GAINS & LOSSES



### OFFSHORE INVESTMENT BOND - INCOME, GAINS & LOSSES



## A WEALTH *of* DIFFERENCE

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Calls may be monitored and recorded for training purposes and to avoid misunderstandings.

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