



UTMOST BASIC EXPLORATION OF INVESTMENT BONDS - EPISODE 1

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In addition, this information is based on our understanding of current legislation and HM Revenue and Customs practice as at 1 August 2019. It does not constitute legal or taxation advice. The companies in the Utmost group can take no responsibility for any loss which may occur as a result of reliance on this information.

Case study 1

Solution 1 - Part surrender across all segments

- Amount required £24,000
- 5% entitlements (3 x £2,500) £7,500
- Chargeable gain therefore £16,500
- Possible tax at 40% of £6,600

Solution 2 - Full segment surrender

- Need to surrender 40 segments ($£24,000 \div £600$)
- Amount realised £24,000
- Original investment ($£500 \times 40$) £20,000
- Chargeable gain £4,000
- Possible tax at 40% of £1,600

Case study 2

Solution 1 - Where earlier withdrawal was made by part surrender across all segments

Use formula $(A + B) - (C + D)$

A = £46,000

B = £24,000

C = £50,000

D = £16,500

$(£46,000 + £24,000) - (£50,000 + £16,500)$

£70,000 - £66,500

Chargeable gain = £3,500

Top slice gain added to income = £350

Solution 2 - Where earlier withdrawal was made by full segment surrender

Use formula $(A + B) - (C + D)$

A = £46,000

B = 0

C = £30,000

D = 0

£46,000 - £30,000

Chargeable gain = £16,000

Top slice gain added to income = £1,600

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