UK (ONSHORE) AND OVERSEAS BONDS A COMPARISON

The information is based on Utmost Wealth Solution's understanding of current law and HM Revenue and Customs' practice as at 1 January 2025. 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 Utmost Group plc take no responsibility for any loss which may occur as a result of relying on this information.

The table below outlines some of the differences between UK (onshore) bonds and overseas bonds when used by UK-resident individuals. The table doesn't cover the tax position for companies holding bonds, as they are charged under the loan relationship rules, nor does it cover the taxation of bonds held in trust.

Any decision about the type of investment to use should be based on the policyholder's individual circumstances and the relevant bond's literature should be reviewed fully prior to investment. This document and the tables within it should be considered as general guidance only.

More information on the taxation of our products can be obtained by visiting our uTech site **utmostinternational.com/wealth-solutions/our-wealth-solutions/united-kingdom/utech/** or by speaking to your Utmost Wealth Solutions Regional Sales Manager.

UK (ONSHORE)	OVERSEAS
LIFE COMPANY TAXATION	
LIFE COMPANY TAXATION OF LONG TERM BUSINESS FUND	
Corporation tax is paid on income and capital gains generated within the insurance company's funds for which the investor receives credit at the basic rate of income tax (currently 20%).	Generally no tax is paid within the funds held by the insurer and so the bond is deemed to benefit from what is referred to as 'gross roll up'. This can potentially provide greater fund growth and returns by deferring the tax paid until withdrawal or surrender. There can be some tax deducted at source (withholding tax) on certain interest and dividend payments.
Credit is given at basic rate for the tax deducted at source which can reduce the policyholder's charge to tax where a chargeable event occurs.	As there is no tax within the funds no credit is available on surrender and instead the policyholder is taxed at highest marginal rates.

UWS PR 00277 I 01/25

UK (ONSHORE)	OVERSEAS
POLICYHOLDER TAXATION	
TAXATION OF SURRENDER	
Surrender or part surrender of the bond triggers a chargeable event. Basic rate tax at 20% will be deemed to have been paid (as a result of any corporation tax that the insurance company paid) on any gain. If the policyholder is a higher or additional rate tax payer they will have an additional 20% or 25% tax to pay. If the policyholder is a non-tax payer they cannot reclaim tax.	Surrender or part surrender of the bond triggers a chargeable event and any gain is subject to tax at the policyholder's marginal rate. As no corporation tax is paid within the funds, tax will be paid at 0%, 20%, 40% or 45% rates depending on the policyholder's tax position. Gains are taxed to savings rates of income tax, the policyholder can therefore use the 0% starting rate for savings for the first £5,000 of gain, where non-savings taxable income is less than £5,000. The policyholder could also make use of any available or remaining personal income tax allowance or the personal savings allowance (where available).
TOP-SLICING RELIEF	
All policies Top-slicing relief is available on gains (where applicable) to reduce liability to higher or additional rates of tax. The top-slicing divisor (used for the purposes of the relief calculations) will be the number of full policy years from the commencement of the bond for full surrender, or for part surrenders the last chargeable event.	**For policies issued post 6 April 2013** or policies issued pre 6 April 2013 which have subsequently been varied, i.e. assigned, topped up or used for security (notice of interest): Top-slicing relief is available on gains (where applicable) to reduce liability to higher or additional rates of tax. The top-slicing divisor (used for the purposes of the relief calculations) will be the number of full policy years from commencement of the bond for a full surrender, or for part surrenders the last chargeable event.
	For policies issued pre 6 April 2013 which have not been subsequently varied post 6 April 2013, i.e. assigned, topped up or used for security (notice of interest): The top-slicing divisor (used for the purpose of the relief calculations) is always the number of policy years from commencement of the bond, irrespective of any previous chargeable events.
INSURABLE INTEREST	
Insurable interest is theoretically required between the bond proposer/owner and any life assured. Under modern practices insurers will generally ignore the requirement for insurable interest where the life cover is 'nominal' only.	Whether insurable interest is required will depend on the law of the contract in the offshore jurisdiction. For example, bonds written under Isle of Man law do not require insurable interest, whilst bonds written under the laws of England and Wales, but issued overseas, theoretically require this to exist at outset. Again, modern practices of insurers will generally ignore the requirement where the life cover is only nominal.
CAPITAL REDEMPTION BONDS (CRBs)	
CRBs are not generally available from UK insurers.	CRBs are available from overseas insurers based in places such as the Isle of Man and Ireland. Such policies do not require any lives assured but are taxed under the same legislation as life assurance policies. CRBs issued from Utmost International Isle of Man Limited and Utmost PanEurope dac have a lifespan of 99 years and will only end if they are either surrendered, or lapsed (due to the policy value being less than the minimum required to maintain it, or if the bond reaches the end of the 99 year period). These can provide for longevity and can be of considerable use when combined with trusts, as under the laws of England and Wales trusts have a perpetuity period (lifespan) of 125 years.

UK (ONSHORE)	OVERSEAS
TRUST-BASED SOLUTIONS	
DISCOUNTED GIFT TRUSTS (DGTs) AND REVERSIONARY INTEREST TRUSTS (RITs)	
DGT and RIT schemes aren't widely available from the UK but some providers do issue them. Any UK version will usually be written on a life assurance basis and will not utilise a capital redemption bond.	**Discounted Gift Trust (DGT)** A DGT allows for a reduction in the transfer (gift) into trust by carving out a pre-determined withdrawal prior to the settlement into trust. This can help to reduce the UK IHT payable if the settlor doesn't survive the seven years required to allow the gift to fall out of account for IHT purposes. Utmost Wealth Solutions have two packaged product discounted gift schemes available on both a bare (absolute) and discretionary basis: › Generation Planning Bond – Issued from Dublin › Estate Planning Bond – Issued from the Isle of Man. **Reversionary Interest Trust (RIT)** A RIT allows for someone to make a transfer into trust and carve out reversionary rights at the time of settlement. Providing these rights are not defeated by the trustees they will revert to the settlor on the set date(s). As the rights can be defeated by the trustees they have no value and thus can be deferred without an associated transfer of value occurring. As a result these schemes can allow for flexible UK IHT planning. Utmost offer a Reversionary Interest Trust called the Lifestyle Trust. An Utmost Wealth Solutions Evolution, Selection or Delegation bond written on a capital redemption basis can be settled into a Lifestyle Trust or a Discounted Gift Trust.
ASSET-BASED SOLUTIONS	
EXCLUDED PROPERTY	
The 2024 Autumn Budget changed the UK IHT system from a domicile-based system to a residence-based system from 6 April 2025, although the domicile-based system still applies until this date. From 6 April 2025 a person will be liable to UK IHT on their worldwide assets if they are long-term resident at the time of their death, meaning that they have been UK tax resident for at least 10 of the last 20 tax years. If they are not long-term resident they will only be subject to IHT on their UK assets which will include onshore bonds.	As explained under the onshore section - the 2024 Autumn Budget changed the UK IHT system to a residence-based system from 6 April 2025. For people who have moved to the UK after a period of overseas residency, an offshore bond will be considered excluded property from 6 April 2025. For example, if a person had been overseas for at least 10 years the offshore bond will be outside of the scope of IHT for at least 10 years. This could be very useful for people who are returning to become UK-resident only on a temporary basis, as the offshore bond remains excluded property and thus can be used to mitigate exposure to UK IHT. From 6 April 2025 the domicile of the individual (including those born in the UK) is no longer relevant for IHT purposes.
INVESTMENT SOLUTIONS	
OPEN ARCHITECTURE AVAILABILITY?	
No. Investment is usually restricted to the insurance company's internal funds.	**Yes**. Overseas insurers will allow investment into a wide range of funds, often referred to as 'open architecture'. If the terms of the policy allow the UK-resident policyholder, or any connected person, the ability to select (or the option to select) the assets that can be linked to the value of the bond, those assets are restricted to the Personalised Portfolio Bond rules. The assets available under these rules are still very wide providing thousands of fund options. The permitted funds are broadly as follows:

*The discounted gift trust conversion is subject to conditions, see the relevant Discounted Gift Trust Conversion Scheme Guide for more details.

UK (ONSHORE)	OVERSEAS
	› Internal funds › Authorised unit trusts › Investment trusts › Open Ended Investment Companies › Cash (but not other near cash-like instruments such as gilts, loan notes, permanent interest bearing shares and eurobonds) › Collective investment schemes › UK REITS › Authorised contractual schemes.
OPTION TO DELEGATE INVESTMENT TO A DISCRETIONARY FUND MANAGER (DFM)?	
No. Investment is usually restricted to the insurance company's internal funds.	**Yes**. Investment through a DFM is also available through many overseas insurers. Note the assets the DFM can select for a UK-resident policyholder will ordinarily be restricted to the PPB rules (as described above).
DFM VAT OPTIONS AND PRODUCT SOLUTIONS	
No. Investment is usually restricted to the insurance company's internal funds.	Bonds issued in Ireland allow policyholders to benefit from the favourable VAT position in Ireland for such services. This is because the VAT position of a discretionary management service is based on the VAT code of the jurisdiction where the recipient of that service is located. The recipient of the discretionary management services is deemed to be the insurer (Utmost PanEurope dac) and such management services are currently VAT exempt in Ireland. This allows for further savings for discretionary services.
DFM BESPOKE PRODUCT SOLUTIONS	
Not available.	Utmost Wealth Solutions are able to offer a stand-alone discretionary solution which removes the policyholder's ability to select whilst insisting that a DFM is appointed. The DFM is given a broad investment mandate and is then appointed on a fully delegated basis, whereby the DFM selects the assets on behalf of the policyholder. This 'open discretionary' solution allows for more flexibility on the assets that can be managed by the DFM providing for more flexibility in the investment approach.

UWS PR 00277 | 01/25