

# OVERSEAS INVESTMENT BONDS

## TOP 10 REASONS FOR UK RESIDENTS TO USE AN OVERSEAS INVESTMENT BOND

APRIL 2026

Top 10 reasons for UK residents to use an overseas life assurance or capital redemption bond, referred to as an Overseas Investment Bond (OIB) throughout this guide:

1

Gross roll-up

6

Planning with gift assignments

2

5% cumulative annual allowance

7

Time Apportionment Relief

3

Switching investments - no UK Capital Gains Tax applicable

8

Top Slicing Relief

4

Multiple lives (relevant life assured's death triggers taxation)

9

Deficiency Relief

5

Segmentation (allows tax efficient withdrawals)

10

The use of trusts (Inheritance Tax planning)



The information is based on Utmost International Isle of Man Limited and Utmost PanEurope dac's understanding of current law and HM Revenue and Customs' practice in the UK, Isle of Man and Ireland as at 1 April 2026. 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.

utmost™

## TOP 10 REASONS

1

### GROSS ROLL-UP AND CHARGEABLE EVENTS

Overseas Investment Bonds are non-income producing assets, meaning income and gains of the underlying investments roll-up within the OIB. Generally, investments in OIBs grow virtually free of tax throughout the time the product is held, subject only to a potential withholding tax deducted at source in certain jurisdictions.

The policyholder will not be liable to UK income tax and gains arising within an OIB, unless the policy is deemed to be a Personal Portfolio Bond (PPB) as described below. Therefore, UK policyholders generally do not have to include an OIB in their annual self-assessment tax returns until a chargeable event occurs, such as when the policy benefits become receivable on final surrender.

The only annual UK Income Tax potentially applicable to OIBs is the PPB tax charge. This can be avoided if the assets the policyholder can select under the OIB are limited to permitted assets according to the UK PPB regulations. Where an OIB is issued to an overseas policyholder, and the policyholder is intending to become UK resident, the terms of the OIB should be checked. If the terms provide the policyholder (or any connected person) with the powers of selection which are too wide, they must be endorsed to make sure the assets that can be selected (and the assets themselves) are aligned to the permitted assets under the PPB regulations. This must happen before the last day of the insurance year which ends in the first tax year a policyholder becomes UK tax resident.

2

### 5% CUMULATIVE ANNUAL ALLOWANCE

Individual policyholders are entitled to withdraw a sum equal to 5% of the original premium paid in each insurance year (up to a total of 20 years) from an OIB without incurring an immediate UK Income Tax charge. Each additional premium paid into an OIB is treated separately, and has its own 5% yearly allowance, beginning on the date of payment. This deferral of when tax is paid can be very useful for policyholders.

The allowance is cumulative, so any unused allowance in a tax year can be carried forward and may be drawn in a future tax year (e.g. the maximum an individual can use in the third insurance year is 15% of the original premium, i.e.  $5\% \times 3 \text{ years} = 15\%$ ).

Only where a withdrawal exceeds the permitted 5% cumulative allowance will there be a charge to UK Income Tax. Any withdrawal exceeding this permitted 5% cumulative allowance (and therefore having Income Tax applied to it) is referred to as an 'excess gain' and this should be taken into account in the chargeable gain calculation at the time of a further chargeable event (e.g. full surrender or death of relevant life assured), thereby reducing the final chargeable gain/loss subject to UK Income Tax.

## TOP 10 REASONS

---

3

### SWITCHING INVESTMENTS- NO UK CAPITAL GAINS TAX APPLICABLE

The underlying assets allocated to a OIB remain the property of the life assurance company and not of the policyholder. As a result, the policyholder retains many of the advantages of direct personal ownership of those assets. However, they do not have to pay UK Income Tax on dividends and interest income arising from the investments held under the OIB nor Capital Gains Tax (CGT) on disposals when the investments underlying the OIB are switched. Also, fund switches made within an OIB do not trigger a personal liability to UK Income Tax or CGT and do not need to be included on any UK self-assessment.

4

### MULTIPLE LIVES (RELEVANT LIFE ASSURED'S DEATH TRIGGERS TAXATION)

The death of the relevant life assured (i.e. the death by reference to which the death benefit is payable) under an OIB is a chargeable event if it gives rise to benefits being payable under an OIB. Most OIBs using multiple lives assured are structured so that the policy ends on the death of the last life assured, however, they can also be written so that the policy ends on first death. Multiple lives assured OIBs written on a last death basis can be used at the outset to avoid a chargeable event. This must be done at the outset because the addition or removal of a life assured during the policy period is a chargeable event. It should be noted that Utmost will not ordinarily facilitate a removal or addition of a life assured under the Utmost range.

Note that the death of the relevant life assured (where different to the policyholder) will create a chargeable event if the policyholder is UK resident, i.e. the fact the policyholder is still alive is irrelevant.

## TOP 10 REASONS

---

### 5

#### SEGMENTATION (ALLOWS TAX EFFICIENT WITHDRAWALS)

The benefit of having an OIB made up of identical individual policy segments is that an individual can generally choose the method of withdrawal (i.e. they can surrender individual policies or by taking a withdrawal across all policies of the OIB) to reduce their UK tax liability.

The 5% Cumulative Annual Allowance should be available to partial surrenders across individual policies. If this allowance is not used every policy year, it accumulates. This may be beneficial for withdrawals that occur after the allowance has been given a number of years to accumulate. A full surrender of an individual policy is taxed on the basis of the growth of the premiums paid into that individual policy and the tax calculation will include previous partial withdrawals and any tax paid on those withdrawals. As the OIB is segmented, individual policies within the OIB can be surrendered separately to align with the client's individual tax circumstances and requirements. This can be useful where the overall OIB is in a gain position and the 5% facility has been used or is not sufficient for their needs. Here the policyholder can fine tune the amount of surrender proceeds they receive in any tax year which will subsequently reduce any associated chargeable gains, allowing for greater tax planning.

### 6

#### PLANNING WITH GIFT ASSIGNMENTS

Assignment (i.e. transfer of ownership to another party) of the OIB by way of gift is not a chargeable event unless it is for money or money's worth. However, certain assignments for money or money's worth are disregarded, such as assignments:

- › between spouses/civil partners living together
- › as part of a divorce or dissolution approved by a court order
- › by way of security of a debt or on discharge of a debt.

Assignments can be used by the policyholder to make gifts to family etc. where the recipient (the assignee) is, or is likely to be, subject to lower rates of income tax. For example, the policyholder may be a higher rate tax payer and their spouse could be a non-tax payer.

Such assignments will be treated as gifts for UK IHT purposes. Relief may be available to reduce any IHT charge entirely or partly, such as the spousal exemption or IHT annual exemption.

## TOP 10 REASONS

---

7

### TIME APPORTIONMENT RELIEF

This can be very useful for people moving temporarily overseas with an OIB or for those who purchase OIBs overseas and subsequently become UK resident. For OIBs issued on or after 6 April 2013, Time Apportionment Relief (TAR) is a tax relief which allows a reduction of the amount liable for UK Income Tax on a chargeable gain. This is aligned to the period the person liable to UK Income Tax on the chargeable event gains was not resident in the UK. For policies held before 6 April 2013, these rules generally apply if the policyholder has been non-UK resident at any time during the life of the policy.

Various documents on tax planning, including tax planning using trusts and OIBs, are available via our uTech Store.

8

### TOP SLICING RELIEF

Top Slicing Relief (TSR) can reduce the impact of a chargeable gain, that happens to push the policyholder into the higher or additional rate Income Tax band, by applying a spreading mechanism, i.e. the effect of TSR is to reduce, in some circumstances, the rate of tax charged on the chargeable gain. TSR may be available to further reduce any tax charges even when TAR has been applied.

Note that TSR is not available to taxpayers already liable to tax at the additional rate before the chargeable event gain is added to their income nor is it available to reduce PPB gains. TSR is also not available to corporations or where the policy is in trust and chargeable event gains are assessable against the trustees. However, where the settlor is liable to tax on any gains, TSR would be available.

## TOP 10 REASONS

---

### 9

#### DEFICIENCY RELIEF

If the result of a gain calculated on a final event (e.g. full surrender, or death of the relevant life assured) shows a negative figure or 'deficiency' then a relief called Deficiency Relief (DR) may be available to an individual. This is not a relief for 'investment losses' (i.e. losses suffered due to underlying investment performances) but instead is a relief to ensure that previous chargeable gains assessed to UK Income Tax (excess gains) do not exceed the ultimate overall gain (if any) on the OIB.

Whilst the operation of DR can be complex, it broadly allows an individual to 'offset' the lesser of the deficiency or previous excess gains assessed to UK Income Tax against that individual's income, but it cannot be carried forward or back to other tax years.

### 10

#### THE USE OF TRUSTS (INHERITANCE TAX PLANNING)

Settling an OIB into trust may be beneficial for reducing IHT on the settlor's death. Assuming the initial value of the OIB is within the settlor's available Nil Rate Band (£325,000 for the tax year 2025/26), there will be no IHT entry charge on settling the OIB in the trust.

Assuming that neither the UK resident settlor nor the settlor's spouse can benefit from the trust, the assets held in the trust may not form part of the settlor's estate and therefore should not be subject to IHT on the settlor's death. If the trust assets are outside of the settlor's estate, the trustees will have access to the proceeds without having to wait for a grant of probate.

There are also UK IHT planning opportunities with bonds for people moving to the UK. The full details of these measures are beyond the scope of this document.

## A WEALTH *of* DIFFERENCE

[www.utmostgroup.com](http://www.utmostgroup.com)

Utmost International Isle of Man Limited is registered in the Isle of Man, registered number 024916C. Registered Office address: King Edward Bay House, King Edward Road, Onchan, IM99 1NU, Isle of Man.

Utmost International Isle of Man Limited is licensed by the Isle of Man Financial Services Authority as an Authorised Insurer.

Utmost is registered in the Isle of Man as a business name of Utmost International Isle of Man Limited.

Utmost PanEurope dac is registered in Ireland, registered number 311420. Registered Office address: Navan Business Park, Athlumney, Navan, Co. Meath, C15 CCW8, Ireland.

Utmost PanEurope dac is regulated by the Central Bank of Ireland as a Life Insurance Undertaking.

Utmost PanEurope dac is a Category A Insurance Permit holder with the Jersey Financial Services Commission.

Utmost is registered in Ireland as a business name of Utmost PanEurope dac.

UWS PR 00275 | 04/26