Multiple Bonds

Clients fully surrendering more than one Bond in the same tax year

- Sue Flay, who works in the catering industry.
- She is a UK (Excluding Scotland) taxpayer
- Her expected income in 2022/23 is **£49,070** which is £1,200 *below* the higher rate tax threshold of £50,000.
- On 12th June 2016 she invested **£50,000** into a UK single premium bond, and fully surrenders the investment on 1st December 2022 (after 6 complete years) for **£62,000** realising a gain of £12,000.
- She also then invested on 10th May 2018 a further **£50,000** into another UK single premium bond, and again fully surrenders the investment on 1st December 2022 (after 4 complete years) for **£60,000** realising a gain of £10,000.
- She took no withdrawals from either investment bond.

What tax will she pay?

Solution; Multiple Bond calculator

	Chargeable Gain	Complete Years	Annual Equivalent
Bond 1	12,000	6	2,000
Bond 2	10,000	4	2,500
Total	**22,000**		**4,500**

Annual Equivalent/Top-slice multiplier is 4.88888 (22,000 / 4500)

Top-slice Relief is …….

Tax due of total Chargeable Gain less basic rate treated as being paid; (8,460 – 4,400 = 4,060.00
Less (Annual Equivalents' tax liability less notional tax) x AE multiplier; [(1,460 – 900) x 4.88888] = 2,737.78
£1,322.22

Tax payable is ……..

Tax payable on total chargeable gain is	£8,460.00
Less Notional tax paid	£4,400.00
Less Top-slice relief	£1,322.22

Tax payable on policy gains **£2,737.78**

MULTIPLE BOND CALCULATOR

This item is intended for guidance purposes only

Technical Financial Planning Ltd can accept no responsibility for any loss which may occur as a result of reliance on this information. It is based on our understanding of current legislation and HMRC practice. It does not constitute legal or taxation advice.

The objective of this calculator is to provide an indication of the income tax that would be payable by a client who is FULLY SURRENDING a number of investment bonds in the SAME TAX YEAR, as the total top sliced gain needs to be apportioned across all of the investment bonds.

Name of client	Mr XSue	Name of spouse	Mrs X
Date of Birth	01/04/1965	Spouse DoB	01/06/1963
Taxpayer in?	UK (Exc Sc	Taxpayer in?	UK (Exc Scotlan
Non Savings Income	49,070.00	Non Savings Inc.	0.00
Plus Buy To Let income?	No	Plus BTL income?	No
Interest	0.00	Interest	0.00
Gross Dividend income	0.00	Dividends	0.00
Taxable Redundancy (3)	0.00	Taxable Redundancy	0.00
Total income (Note 4)	£49,070.00	Total income (3)	£0.00
Gross Pension contribution	0.00	Pension cont.	0.00
Gift Aid	0.00	Gift Aid	0.00

Total number of Bonds	2

	BOND 1	BOND 2	BOND 3
Provider	ABC	DEF	GHI
Onshore or Offshore?	Onshore	Onshore	Onshore
Client, Spouse or Joint?	Client	Client	Client
Investment Date	01/01/2016	01/01/2018	01/01/2001
Investment Amount	50,000.00	50,000.00	0.00
Additional investment	No	No	No
Date of surrender (5)	01/12/2022	01/12/2022	01/12/2022
Fund Value	62,000.00	60,000.00	0.00
These are all Full Surrenders of the policy		-	
Previous Withdrawals	No	No	No
Total withdrawals	£0.00	£0.00	£0.00
Total excess gains	£0.00	£0.00	£0.00
Chargeable Gain	£12,000.00	£10,000.00	£0.00
Top-slice gain	£2,000.00	£2,500.00	£0.00

Notes

(1) **This is based on our understanding of HMRCs practice as outlined in Insurance Policyholders Taxation Manual (IPTM3840) and changes announced in the 2020 Budget - see Summary & HMRC pages for calculations**

(2) If there has previously been Full Surrender of segments, input details of remaining segments only. The initial investment and any Partial Surrenders need to be proportioned accordingly.

(3) Taxable Redundancy is the amount over and above the £30,000 tax exempt amount.

(4) If have Buy To Let income, the added Rental Income is reduced by 0% of the Mortgage interest.

(5) All Full Surrenders input have to be in respect of the same tax year

(6) This is the total additional tax as a result of Investment Bond withdrawal including further tax, for example, due to loss of Personal Allowance.

(7) If Investment Bond in force more than 40 years and taking withdrawals, refer to TFP.

06/04/2022

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The objective of this calculator is to provide an indication of the amount of income tax that would be payable on full segment surrender or Partial Surrender (if not a full encashment) of an Investment Bond.

Name	Mr XSue
Date of Birth	01/04/1965
Taxpayer in?	UK (Exc Scotland)
Non Savings Income	£49,070.00
Plus Buy To Let income?	No
Rental Income	£0.00
Mortgage Interest	£0.00
Interest	£0.00
Gross Dividend income	£0.00
Taxable Redundancy (3)	£0.00
Total income (Note 4)	**£49,070.00**
Gross Pension contribution	£0.00
Gift Aid	£0.00
Date of Surrender	01/12/2022

Total Tax excluding Bond investments		
Source	**Amount**	**Tax due**
Non Savings	£49,070.00	£7,300.00
Savings Income	£0.00	£0.00
Dividends	£0.00	£0.00
Redundancy	£0.00	£0.00
Total	**£49,070.00**	**£7,300.00**

	FULL SURRENDER
Bond Chargeable Gain	22,000.00
Bond Top-Sliced Gain	4,500.00

Step 1; Calculate total taxable income for the year

Check for loss of personal allowance

Adjusted Net Income	£71,070.00
Personal Allowance	£12,570.00
Personal Savings Allowance	£500.00

Source	**Amount**	**Tax due**
Non Savings	£49,070.00	£7,300.00
Savings Income	£0.00	£0.00
Intl Bond CG	£0.00	£0.00
Dividends	£0.00	£0.00
Redundancy	£0.00	£0.00
UK Bond CG	£22,000.00	£8,460.00
Total	**£71,070.00**	**£15,760.00**

Total Tax liability

Step 2; Calculate total tax due on gains across all tax bands

Source	**Amount**	**Tax due**
Non Savings	£49,070.00	£7,300.00
Savings Income	£0.00	£0.00
Dividends	£0.00	£0.00
Intl Bond CG	£0.00	£0.00
UK Bond CG	£22,000.00	£8,460.00

Tax on whole gain	£8,460.00
Deduct basic rate tax (20%) treated as paid	£4,400.00
Net tax	£4,060.00

Step 3; Calculate Annual Equivalent of gain £4,500.00

Step 4; Calculate individuals tax liability on Annual Equivalent

Adjusted Net Income	£53,570.00
Personal Allowance	£12,570.00
Personal Savings Allowance	£500.00

Source	**Amount**	**Tax due**
Non Savings	£49,070.00	
Savings Income	£0.00	
Dividends	£0.00	
Intl Bond CG	£0.00	£0.00
UK Bond CG	£4,500.00	£1,460.00

Tax on top-slice gain		£1,460.00
Deduct basic rate tax treated as paid		£900.00
Net tax		£560.00
Multiply by years	x CG / AE of G	£2,737.78

Step 5; Calculate Top Slice Relief

Step 2 minus Step 4	**£1,322.22**

Net tax on gain

Tax on Bond investment	£8,460.00
Less notional tax	£4,400.00
Less TSR	£1,322.22
Tax on chargeable gain	**£2,737.78**

Summary; Total tax on income and gain **Increase of:**

Tax on non savings	£7,300.00	£0.00
Tax on savings	£0.00	£0.00
Tax on dividends	£0.00	£0.00
Tax on redundancy	£0.00	£0.00
Tax on gains	£2,737.78	£2,737.78
Total income tax to pay (6)	**£10,037.78**	**£2,737.78**

06/04/2022