



Chargeable event gain income tax calculator

User Guide

For use with our Financial Planning Tool

Introduction

This user guide should provide a quick 'how to' guide for our financial planning tool. The tool provides the chargeable event gain(s) on your client's life/redemption bond or life assurance plan. The income tax liability on the gain(s) is outside of the scope of this tool. Our Chargeable event gain – income tax calculator can be used for this purpose after you have calculated the gain or potential gain.

The result calculated by the tool is based on the information you provide at the date the calculation is made. It is your responsibility to ensure that the information you have input into this tool is accurate, if it is not the figures provided following the calculation will not be correct and should not be relied upon

Acceptance of the conditions of use

There is no input required on this page. Please read the conditions of use and click that you have read and understood prior to moving to page 2. If you are not happy to proceed after reading the conditions please close the calculator.

Quilter

Chargeable event gain - income tax calculator

For use by Financial Advisers only

Please read the following. Click the button at the bottom right of the page to confirm you have read and understood the conditions of using this tool and its' limitations

Welcome to the Quilter chargeable event gain – income tax calculator.

This financial planning tool provides the income tax liability of your client based on the information you provide. It only shows the liability relating to chargeable event gain(s) from your clients' (irredemption bonds) and life assurance plans. The income tax liability on other income is outside of the scope of this tool.

It can be used when advising UK tax resident individuals only. It is not suitable for trustees or company owned investments.

Before using this tool you need to obtain the information of your clients' income for the respective tax year in which the gain(s) occurred. You will also need to know the chargeable event gain(s) which is chargeable or for proposed gains, the gain you have calculated yourself.

The information you will need to use this financial planning tool:

Chargeable event details – the amount of the gain, the number of complete years the bond or plan was in force at the time of the event, whether the interest and therefore the gain (s) is onshore or offshore and whether your client has spent any time outside of the UK, i.e. non-resident.

Your clients' income details – you are required to enter earned income (including pensions and rental income), savings income (excluding the chargeable event gains), dividend income and any personal pension contributions eligible for relief at source.

The result calculated by this tool is based on the information you provide at the date the calculation is made. It is your responsibility to ensure that the information you have input into this tool is accurate, if it is not the figures provided following the calculation will not be correct and should not be relied upon.

By using this calculator you have accepted the following:

Taxation and reliefs

Every care has been taken to ensure that the information contained in this tool is correct and in accordance with our understanding of the law relating to chargeable events and HM Revenue and Customs practice as at April 2021. This could change in the future.

You should be satisfied that the information you have entered and the results of any calculation are correct, before acting or refraining from acting in reliance upon the information given.

Quilter accepts no responsibility for actions taken or refrained from being taken following use of this financial planning tool.

Chargeable event gains should be disclosed on your client's self-assessment return, for the relevant tax year.

Where you are calculating the liability for a gain(s) made on an onshore bond basic rate tax is treated as already paid. If you are calculating the liability for a gain on an offshore bond no tax is treated as already being paid.

The order of income used by this calculator is earnings, savings (incl. offshore gains), dividends then onshore gains. Allowances available to your client are used against other income prior to being used by chargeable event gains for the purposes of the top slicing relief calculation.



Data entry screen

This is the main page for you to input your client's information.

Step 1

is pre-filled with the current year's tax allowances. This can be overtyped if you are performing the calculation for an alternative tax year.

Step 2

Enter up to 10 chargeable event gains. This can be a mixture of onshore and offshore gains made over numerous years. Inputs required are:

1. Gain amount (for joint policies enter half the gain)
 2. Number of years made over
 3. Whether the gain has been made onshore or offshore
- Time apportionment relief (optional)

Quilter -

Chargeable event gain - income tax calculator

1 Step 1 - check allowances

Personal allowance £12,570

Basic rate band £37,700

Higher rate band (£150,000 - basic rate band) £112,300

Starting rate for savings £5,000

Personal savings allowance - basic rate £1,000

Personal savings allowance - higher rate £500

Personal savings allowance - additional rate £0

Dividend allowance £2,000

Amount	No. of complete years	Onshore or offshore?	Aggregate slice
£0	0		£0.00
£0	0		£0.00
£0	0		£0.00
£0	0		£0.00
£0	0		£0.00
£0	0		£0.00
£0	0		£0.00
£0	0		£0.00
£0	0		£0.00
£0	0		£0.00
£0	0		£0.00
£0	0		£0.00
£0	0		£0.00
£0	0		£0.00
£0	0		£0.00

2 Step 2 - enter bond gains

Chargeable event gain 1

Chargeable event gain 2

Chargeable event gain 3

Chargeable event gain 4

Chargeable event gain 5

Chargeable event gain 6

Chargeable event gain 7

Chargeable event gain 8

Chargeable event gain 9

Chargeable event gain 10

Eligible for time apportionment (T/A) relief? Yes

Step 3 - enter other income

Earned income (PAYE, Pension, Rental) £0.00

Savings Income (interest) £0.00

Dividend income £0.00

Gross pension contributions £0.00

Calculate
Clear

Data entry screen *(continued)*

Where your client is eligible for time apportionment relief, select the 'yes' button. The input options for step 2 are expanded as shown opposite.

The extra input options available are:

1. Number of non-UK days – the total number of days during ownership of the policy that your client has been non-resident in the UK
2. Number of days owned – this is the total number of days your client has owned the policy in question

For more information on time apportionment relief refer to our quick reference guide 6.

<https://platform.quilter.com/siteassets/documents/forms/19399-taxation-of-investment-bonds-quick-reference-guide-6.pdf>

Step 2 - enter bond gains

	Amount	No. of complete years	Onshore or offshore?	Aggregate slice
Chargeable event gain 1	£0	0		£0.00
Chargeable event gain 2	£0	0		£0.00
Chargeable event gain 3	£0	0		£0.00
Chargeable event gain 4	£0	0		£0.00
Chargeable event gain 5	£0	0		£0.00
Chargeable event gain 6	£0	0		£0.00
Chargeable event gain 7	£0	0		£0.00
Chargeable event gain 8	£0	0		£0.00
Chargeable event gain 9	£0	0		£0.00
Chargeable event gain 10	£0	0		£0.00

Eligible for time apportionment (T/A) relief? Yes

Data entry screen *(continued)*

Step 3

This screen allows you to enter your client's income details. The details to enter are:

1. Amount of earned income including pension income and money from property rental
2. Amount of savings income (excluding the gains entered at step 2). This includes for example, bank interest and interest distributions from fixed interest collective funds
3. Amount of dividend income from shares/equity investments
4. Amount of the gross, relief at source pension contributions made by your client. This information is needed as these type of contributions extend the tax bands

Step 3 - enter other income

Earned income (PAYE, Pension, Rental)	£0.00
Savings Income (interest)	£0.00
Dividend income	£0.00
Gross pension contributions	£0.00

Calculate Clear

Once you are happy that you have entered all the details correctly click the 'calculate' button. If you want to start again click the 'clear' button

Results summary

The summary page shows the gain and summarises the data entered.

1. Results

Top slice relief given: Shows the tax reduction given. Tax due on gains(s) after relief: Shows the total income tax liability on the gain, after the relief has been applied.

2. Income summary

Recaps the income for the client, as provided on the data entry screen.

4. Calculation steps

If you would like to understand how the relief and tax figures have been calculated click the 'show calculation steps' button

3. Chargeable gains entered

Shows the total gains (after time apportionment, if applicable) and the average number of years used in the calculation.

Quilter Results summary

Input summary

Income details entered:

Earned income (PAYe, Pension, Rental)	£0
Savings income (interest)	£0
Dividend income	£0
Gross pension contributions	£0

Results

Top slice relief given	£0
Tax due on gain(s) after relief	£0

Chargeable event gains entered (after time apportionment if applicable)

Total offshore gains	£0
Total aggregate value	£0
Average years	0.0000

Important information

The report is generated by the calculation engine, which calculates the total chargeable gains, including gains on offshore investments, after deducting the amount of relief available to offset against the gains. The relief is calculated based on the client's average number of years used in the calculation. The relief is calculated based on the client's average number of years used in the calculation. The relief is calculated based on the client's average number of years used in the calculation.

* The relief is calculated based on the client's average number of years used in the calculation. The relief is calculated based on the client's average number of years used in the calculation.

** The relief is calculated based on the client's average number of years used in the calculation. The relief is calculated based on the client's average number of years used in the calculation.

Buttons: **Show calculation steps**, **Back to data entry**

Calculation steps

Tax before relief

This first section of the expanded view shows how the total onshore and total offshore bond gains are taxed prior to any top slicing relief. The calculator uses the details of other income entered and uses the fixed ordering of income to place the bonds in the correct bands. The order of taxing income is;

- earned income,
- savings income (incl offshore bond gain(s)),
- dividends
- onshore bond gain(s).

In the above example the client has bond onshore and offshore gains. The total tax in this scenario prior to relief is £13,100.

Tax before relief					
Tax before top slicing relief (onshore gains)			Tax before top slicing relief (offshore gains)		
	Gain(s) in bands	Tax		Gain(s) in bands	Tax
Personal allowance	£0	£0	Personal allowance	£0	£0
Starting rate for savings	£0	£0	Starting rate for savings	£0	£0
Personal savings allowance	£0	£0	Personal savings allowance	£0	£0
Basic rate	£0	£0	Basic rate	£14,500	£2,900
Higher rate	£30,000	£12,000	Higher rate	£10,500	£4,200
Additional rate	£0	£0	Additional rate	£0	£0
Total tax on Onshore gain(s)		£12,000	Total liability on offshore gain(s)		£7,100
Onshore credit		£6,000			
Total liability on Onshore gain(s)		£6,000	Total tax before top slicing relief (onshore & offshore gains)		£13,100

Calculation steps *(continued)*

Calculating the relief

The following steps follow those laid in in our 'Taxation of investment bonds quick reference guide 5 – Top slicing relief'. https://platform.quilter.com/siteassets/documents/forms/14556_taxation_on_investment_bonds_quick_guide_5.pdf

Step 1 - Allowances available

This step shows the allowances available and how much of those allowances are used by the gain(s) during the calculation.

1. Personal allowance

This shows the personal allowance available to the individual. This will show as a reduced figure where the total gain plus all other income is over £100,000.

- **Personal allowance available for bond gain(s)** – This shows whether any of the gains fall into the available personal allowance. In this example, the allowance has been utilised by other income sources and all the gains sit outside the personal allowance.
- **Personal savings allowance** – This shows the personal savings allowance available to the individual.
- **Personal savings allowance available for bond gain(s)** – This shows whether any of the gain falls into the personal savings allowance. This example shows £0 as the savings allowance has been used by other savings income.

Calculating the relief

Step 1 - allowances available

Personal allowance	£12,570	Personal allowance <u>based on aggregate slice</u>	£12,570
Personal allowance available for bond gain(s)	£0	Personal allowance available for aggregate slice	£0
Personal savings allowance	£500		
Personal savings allowance available for bond gain(s)	£0		

Calculation steps *(continued)*

2. Personal allowance based on aggregate slice

This shows the personal allowance available for step 3 of the top slicing calculation. This will show as a reduced figure where the sliced gain plus all other income is over £100,000.

Personal allowance available for the aggregate slice - This shows whether any of the sliced gains fall into the available personal allowance. In this example, the allowance has been utilised by other income sources and all the gains sit outside the personal allowance.

Calculating the relief

Step 1 - allowances available

Personal allowance	£12,570	Personal allowance <u>based on aggregate slice</u>	£12,570
Personal allowance available for bond gain(s)	£0	Personal allowance available for aggregate slice	£0
Personal savings allowance	£500		
Personal savings allowance available for bond gain(s)	£0		

2

Calculation steps *(continued)*

Step 2 - Total liability above basic rate credit

This shows the 'further tax' that is due on the onshore and offshore bond gains. This is shown as 'Total liability' in the tool.

The further tax is anything above 20% of the bond gains. For the purpose of calculating the 'further tax' only, we apply a tax credit of 20% to the offshore bond gain. In this example the further tax above 20% of the bond gains is £8,046.

For the purpose of this part of the calculation the bond gains form the highest part of income, so offshore bond gains have moved their positions and are assessed here after earnings, interest and dividends. This means you might see a different outcome here if you compared with the 'tax before relief' section.

It is important to note that no tax credit is given for any part of the gain(s) which sit within the personal allowance. Therefore, in some instances, the tax credit shown in the calculator will be less than 20% of the bond gain.

For example; if your client had no earnings and a bond gain of £20,000 the tax credit would be £1,486 i.e. $(£20,000 - £12,570) * 20\%$.

<u>Step 2 - total liability of gain(s) above basic rate credit *</u>	Gain(s) in bands	Tax
Personal allowance	£0	£0
Starting rate for savings	£0	£0
Personal savings allowance	£0	£0
Basic rate	£14,770	£2,954
Higher rate	£40,230	£16,092
Additional rate	£0	£0
Total tax on gain(s)		£19,046
Tax credit**		£11,000
Total liability on gain(s)		£8,046
Total liability (onshore & offshore combined)		£8,046

Calculation steps *(continued)*

Step 3 - Relieved liability above basic rate credit

This part of the calculation combines the onshore and offshore bond gain and divides them by the average number of years. This gives the aggregate slice. The further tax on the slice is then calculated in the same way as step 2.

The result of the 'further tax' is then multiplied by the average number of years to give the 'Total relieved liability'. In this example there is no further tax on the aggregate slice

<u>Step 3 - relieved liability above basic rate credit</u>	Gain(s) in bands	Tax
Personal allowance	£0	£0
Starting rate for savings	£0	£0
Personal savings allowance	£0	£0
Basic rate	£13,750	£2,750
Higher rate	£0	£0
Additional rate	£0	£0
Total tax due on slice		£2,750
Tax credit**		£2,750
Total liability on slice (onshore & offshore combined)		£0
Total relieved liability (total liability on slice x average years)		£0

Calculation steps *(continued)*

Step 4

compares the 'Total liability' (Step 2) and the 'Relieved liability' (Step 3). The top slicing relief is the difference. Here the relief is £8,046.

Step 5

is to deduct the relief from the tax before top slicing relief. The result is the tax due on the bond gains.

Step 4 - top slicing relief amount

Total liability (onshore & offshore) minus	£8,046
Total relieved liability (total liability on slice x average years)	- £0
	<u>£8,046</u>

Step 5 - Tax after relief

Total tax before top slicing relief (onshore & offshore gains) minus	£13,046
Top slicing relief (Step 4)	- £8,046
	<u>£5,000</u>

*If you require any further training or assistance with the tool,
please contact your Platform Specialist or Quilter consultant,
or call our Customer Contact Centre on 0808 171 2605.*

platform.quilter.com

Please be aware that calls and electronic communications may be recorded for monitoring, regulatory and training purposes and records are available for at least five years.

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