Countrywide Assured

FOR ADVISERS ONLY

Countrywide Assured Onshore Bond

An adviser guide to tax deduction and disclosure

This guide provides important details about our current approach to deducting tax from your client's Onshore Bond and how we currently disclose this information.

Our current approach

As a UK life insurer, Countrywide Assured plc pays tax on the investment income and capital gains that arise from the funds held within the Onshore Bond. This is because we are the legal and beneficial owner of those funds, even though the value of those funds is attributed to your client as the bond policyholder under contract.

The tax is charged at a special policyholder tax rate (currently 20%) and is paid to HM Revenue & Customs (HMRC) by us.

Under the terms and conditions of your client's policy, we deduct the tax from the value of the policy. This approach ensures that the value attributable to policyholders is a fair reflection of assets held by us.

We refer to this tax as the 'Accumulated Tax Charge'. The deduction of the Accumulated Tax Charge is treated as fulfilling our policyholders' personal liability to basic rate tax (the Basic Rate Tax Credit). Therefore, policyholders, who are basic rate taxpayers, will not be required to pay any additional tax relating to their Onshore Bond.

If a policyholder is a higher or additional rate taxpayer, or the amount of the gain moves them into the higher or additional tax band, they may be liable to a further amount of tax on any gain. Where the bond is held in trust, the rules regarding who is liable for the tax can differ. The rules are complex and can be different depending on the type of trust.

Timing of the tax deduction

Currently, **we deduct the Accumulated Tax Charge from the value** of your client's Onshore Bond **at the point of a chargeable event**, such as surrender, death and assignment.

It means the valuations provided by your platform and our valuation statements are gross of the accumulated tax charge because the tax deduction is made at exit. This is why the value of the bond (net of the Accumulated Tax Charge) is usually lower under a chargeable event. The value of the Accumulated Tax Charge that will be applied to your customer's bond will be calculated at this point.

Issuing Accumulated Tax Charge reminders

To make sure existing and new Onshore Bond customers, as well as those with legacy products understand our approach to tax deduction, we currently issue a **quarterly reminder**. This also includes an *estimate* of their Accumulated Tax Charge over time.

A copy of our current letter and accompanying Q&As is included in this guide for your reference.

Please note that we reserve to right to make tax deductions more regularly and should we change our approach, we will communicate with our customers and their advisers accordingly.

Any questions?

Queries about an existing Onshore Bond should be directed to our Client Services team by email: clientservices@countrywide-assured.co.uk.

If you prefer to speak to a member of our team: Call **03330 155 600** between 9am and 5pm Monday to Friday.

March 2025

Countrywide Assured

EXAMPLE CLIENT ACCUMULATED TAX CHARGE LETTER AND Q&As
FOR ONSHORE BOND AND SOME LEGACY PRODUCTS

Dear

Your quarterly reminder about your [*Product name*] and tax
This is a reminder of the accumulated tax charge that will be deducted from the policy value at the point of closure.

Current tax laws and regulations for UK life assurance companies require us to calculate the tax due on investment gains and the taxable income generated by your policy's investments and pay the tax owed directly to HM Revenue & Customs (HMRC) on your behalf. Currently, we make a single deduction when the policy is closed.

How much tax is likely to be deducted from my [*product name*]?
We have estimated your tax liability based on the investment value of your policy at the valuation date provided below.

On 7 January 2025, the value of your policy was £130,000. Based on this value, we estimate the current tax on your investments is £15,000. Allowing for the tax deduction, the estimated value of your policy will be £115,000 as at 7 January 2025.

Put simply, our tax calculation is that for every £1 of investment gain and/or income generated, 20p is owed in tax, based on the current basic rate of UK income tax. Any increase or decrease in your policy value will see the amount of tax rise and fall accordingly.

A broad example of this calculation in action is based on an investor with an initial investment of £200,000 and an end value, including any withdrawals, of £220,000. Their tax liability could be £4,000.

The amount of tax to be deducted, as shown above, is only an estimate. It may be more or less depending on your investment returns, any withdrawals or contributions since our estimate calculation, and when your policy is closed.

How accurate is the estimate?
We use quarterly investment values for our tax calculations, and your estimate shown above is based on your policy valuation as at 7 January 2025. So, if you have made any withdrawals or contributions between the end date of the last quarter (end of March, June, September or December) and 7 January 2025, then the estimate will be less accurate.

We plan to send you regular reminders of your estimated tax liability, but should you wish to discuss the content of this letter or need any information about your policy, please call us using the telephone number shown below.

How does this affect my personal tax liability?
As we make the tax payment to HMRC on your behalf, we expect this to satisfy your tax liability at the *basic* rate of income tax only.

If you are a higher or additional rate taxpayer, or the surrender value pushes you into one of these categories, you will have a further income tax liability.

For more information about taxation, please see the enclosed Q&As. We recommend you speak with your financial or tax adviser about this letter and to discuss the tax implications for your particular circumstances.

What do I need to do?
No action is required. This letter is a reminder to consider the tax deduction when reviewing or calculating the value of your [*product name*].

Any questions?
Should you have any questions about this letter, please call our Client Contact Team on **03330 155600** Monday to Friday 9am to 5pm. Or email enq@countrywide-assured.co.uk

Yours sincerely,

Clare Birks
Chief Operating Officer

Encl. Q&As

Q&As

Taxation of Onshore Bonds

Background information

Onshore bonds, also referred to as investment bonds, are investment products issued by life insurers. They are classified as insurance policies, which means they are subject to a different tax regime to other investment products, such as savings bonds issued by banks. The aim of this document is to explain the tax regime for the Countrywide Assured Onshore Bond range.

The range includes the Portal Onshore Bond, our Onshore Bonds available through third-party Platforms, the Versatile Investment Portfolio, the Private Investment Bond and the Capital Protection Plan.

Taxation

As a UK life insurer, Countrywide Assured plc pays tax on the investment income and capital gains that arise from the funds held within the Onshore Bond. This is because we are the legal and beneficial owner of those funds, even though the value of those funds is attributed to you as the bond policyholder under contract. This tax is charged at a special policyholder tax rate (currently 20%) and is paid to HM Revenue & Customs (HMRC) by us.

Under the terms and conditions of your policy, we deduct this tax from the value of the policy. This ensures that the value attributable to policyholders is a fair reflection of assets held by us. We refer to this tax as the 'Accumulated Tax Charge.'

The deduction of the Accumulated Tax Charge is treated as fulfilling our policyholders' personal liability to basic rate tax (the Basic Rate Tax Credit). Therefore, policyholders who are basic rate taxpayers will not be required to pay any additional tax in respect of a gain.

If a policyholder is a higher or additional rate taxpayer, or the amount of the gain moves them into the higher or additional tax band, they may be liable to a further amount of tax on any gain.

Where the bond is held in trust, the rules regarding who is liable for the tax can differ. The rules are complex and can be different depending on the type of trust. If your bond is held in trust, please contact your tax adviser for further help and advice.

1 When and how do you calculate the Accumulated Tax Charge deducted from the value of the UK Onshore Bond?

We deduct the Accumulated Tax Charge from the value of your policy **at the point of a chargeable event**, such as surrender, death and assignment.

We calculate the taxable investment income and capital gains within the bond, take a deduction for allowable expenses and then apply the policyholder tax rate, currently 20%.

HMRC collects the tax due on your policy through Countrywide Assured.

After we deduct the tax from your policy you may receive a chargeable event certificate. This will show the amount of tax deemed to be paid to HMRC by us on your behalf. This is known as your Basic Rate Tax Credit.

2 Can I use the Basic Rate Tax Credit against other taxable income or even have it repaid?

No. The Basic Rate Tax Credit is only applicable to a particular policy. It means that only higher and additional rates of tax are payable by the policyholder, if appropriate. The tax credit cannot be reclaimed from HMRC.

3 Will the Accumulated Tax Charge always apply?

The Accumulated Tax Charge only applies to taxable investment growth and relevant income (less allowable expenses incurred). If the investments experience negative growth, tax will not apply, so your tax balance will show a zero value.

4 Why is the Accumulated Tax Charge taken on surrender?

Our current practice is to deduct the tax due at surrender rather than annually, in line with our tax payments to HMRC on your behalf.

However, we reserve the right to deduct the Accumulated Tax Charge more regularly and will always notify our clients of any changes to policy.

5 How do you make sure there are sufficient funds in my bond to meet the Accumulated Tax Charge?

Withdrawals are only permitted where there are sufficient funds in your bond to cover existing obligations, such as tax or administration charges.

If you have taken large or regular withdrawals, then it is possible that the Accumulated Tax Charge now represents a large proportion of the remaining bond value.

6 Where can I find the latest copy of my product's terms and conditions?

An online copy of your product terms and conditions is available as follows:

- **countrywideassured.co.uk/former-caslp-clients/products/onshore-bond/**
- **countrywideassured.co.uk/former-caslp-clients/products/the-portal/**
- **countrywideassured.co.uk/former-caslp-clients/policies-programmes-and-portfolios/**

Clients with a Versatile Investment Portfolio should contact us directly for a copy.

T: **03330 155600** Monday to Friday 9am to 5pm.
E: enq@countrywide-assured.co.uk

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