

CashCalc

— Financial Planning Tools —

Investment Bond Chargeable Gains Forecast for Example Client

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Introduction

The following report contains an Investment Bonds Chargeable Gains Forecast.

This gives a breakdown of the history of the bonds in question, including any withdrawals being taken and allowances available to the client. It also produces the calculation for the top slice of the bond, as well as an estimation of any tax that could be charged on said bond.

Overview

Forecasts included:

- Offshore Bond Example

Forecast: Offshore Bond Example

Incomes & Assumptions:

Taxable Income for current Tax year: £40,000

Personal Allowance available: £11,500

Bond Information:

Bond Name	Original Investment	Surrender Value	Commencement Date	Surrender Date	Onshore/Offshore
Example Bond	£60,000	£100,000	06-05-2007	06-06-2017	Offshore

Forecast: Offshore Bond Example

Withdrawals from Example Bond					
Year	Withdrawals	5% Allowance	Cumulative Allowance	Chargeable Event?	Excess
2007	£3,000	£3,000	£0	No	£0
2008	£3,000	£3,000	£0	No	£0
2009	£3,000	£3,000	£0	No	£0
2010	£3,000	£3,000	£0	No	£0
2011	£3,000	£3,000	£0	No	£0
2012	£5,000	£3,000	£0	Yes	£2,000
2013	£5,000	£3,000	£0	Yes	£2,000
2014	£3,000	£3,000	£0	No	£0
2015	£3,000	£3,000	£0	No	£0
2016	£3,000	£3,000	£0	No	£0
2017	£3,000	£3,000	£0	No	£0

Forecast: Offshore Bond Example

Tax Liabilities (By Year):

Year	Tax Liability
2017	£19,200

Forecast: Offshore Bond Example

Breakdown for Example Bond

Timescale	06-05-2007 to 06-06-2017		Gain	£73,000
Initial Investment/Surrender Value	£60,000/£100,000		Top Slice	£7,300
Withdrawals	£37,000		Tax Due	£19,200

Top Slice Calculation

$$\begin{aligned}
 & \text{(Proceeds + Withdrawals)} & - & \text{(Investment + Previous Excess)} \\
 & (£100,000 + £37,000) & - & (£60,000 + £4,000) \\
 & & = & \\
 & & & £73,000 / 10 \text{ complete years} = £7,300
 \end{aligned}$$

Tax Calculation

Partial Top Slice Relief occurs as the gain itself pushes the client into the Higher Rate Tax Band.

$$\begin{aligned}
 & \text{Tax before the Slice is applied} = £5,700 \\
 & \text{Amount taxed at 20\%} = £33,500 = £6,700 \\
 & \text{Amount taxed at 40\%} = £2,300 = £920 \\
 & \text{Tax after the Slice is applied} = £7,620 \\
 & \text{The difference between the two} = £1,920
 \end{aligned}$$

$$\text{Tax due} = \text{Difference} \times \text{Number of relevant years} = £1,920 \times 10 \text{ Years} = £19,200$$

