8 BENEFITS OF
AN OVERSEAS INVESTMENT BOND

Top reasons to use an overseas life assurance or capital redemption bond, commonly referred to as an Overseas Investment Bond or an Offshore Bond

1 GROSS ROLL UP

- UK tax legislation allows Isle of Man plans to accumulate income and gains without incurring an ongoing tax charge. This is known as 'gross roll up'.
- Dividend and interest income received by the funds is not taxable*. **Disposals when making any fund switches or re-balancing the plan are not subject to any capital gains tax.** Therefore, no requirement to test income/disposals against available allowances.
- With gross roll up, a tax liability will generally only arise on withdrawals and surrenders. This allows any taxation to be delayed to a time when the client is a lower rate tax payer.
- The only annual UK Income Tax potentially applicable to Offshore Investment Bonds (OIB) 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.

2 TAX DEFERRED WITHDRAWALS

- The ability to take tax deferred withdrawals is a unique feature of insurance-based investment products.
- 5% of the total premiums paid can be withdrawn each policy year with no immediate UK income tax liability.
- Any unused 5% tax deferred allowance can be rolled forward to a future policy year.

3 TIME APPORTIONMENT RELIEF

- Time Apportionment Relief (TAR) is a tax relief which allows a reduction of the amount liable for UK Income Tax on a chargeable gain.
- Any UK tax will be reduced proportionately for time spent as a non-UK resident.
- Additional investments are deemed to be made at the commencement of the plan, thereby increasing any apportionment relief given.

4 TOP SLICING RELIEF

- Allows any gain to be annualised so that tax is paid at a rate equivalent to the rate that would have applied if the gain had been taxable in each year it were made.
- Gain is averaged out over the number of years the plan has been owned and charged accordingly

5 GIFTING OF PLAN

Assignment by gifting allows ownership of the plan to be changed to a third party:

- No UK income or capital gains tax charge on original owner.
- Future UK income tax charged at new owner's marginal rate of tax.
- Allows planning opportunities to transfer income tax liability to lower rate tax payer.

6 SEGMENTATION

- Follows same principle as an assignment but with additional flexibility.
- Individual plan segments can be gifted to a third party.
- Future UK income tax charged at new owner's marginal rate of tax.
- Allows planning opportunities. Plan segments could be gifted to help with children's education or a house purchase.

7 TRUSTS

Placing a plan into trust can:

- Help reduce or eliminate any portential UK inheritance tax liabilities.
- Can help assist with succession planning.
- Can remove the requirement for obtaining Isle of Man probate.
- Is not treated as a disposal for UK capital gains tax purposes

8 MULTIPLE LIVES

- The death of the relevant life assured under an OIB is a chargable event if it gives rise to benefits being paid under an OIB.
- OIBs can be written so that the policy ends on the first or last death.
- Multiple lives assured on a last death basis can be used at the outset to avoid a chargeable event

For more information please contact us on www.isleofmanforlife.com

*Non reclaimable withholding tax may apple to any dividend or interest income before it is received