

Qualifying Life Assurance Policies LIABILITY TO INCOME TAX

If you have received a chargeable event certificate

You will need the information on the chargeable event certificate to complete a tax return, a tax repayment claim or when completing a Self-Assessment tax return.

We are not able to provide guidance on how to complete tax forms.

What is a chargeable event?

A chargeable event will only arise on a 'qualifying' policy under the following circumstances:

- The surrender or sale of the policy if it has been in force less than 10 years (or three-quarters of the term if shorter).
- The surrender or sale of the policy if it has been subject to certain types of alterations and it has been in force for less than 10 years (or three-quarters of the term if shorter).
- Any payment under a policy, i.e. maturity, full surrender, withdrawal, death benefits or on an assignment for money or money's worth, where premiums have been discontinued in the first 10 years (or three-quarters of the term if less) in accordance with a provision contained in the policy.
- Qualifying policies that are extended or issued under an option, have a total premium limit of £3,600.00 for an individual in any 12 month period. The premiums payable to all qualifying life policies held with all providers must be combined for each beneficiary. This excludes policies issued before 21 March 2012 (unless they have been altered or extended on or after that date) and policies being used to cover a mortgage.

An altered or extended Qualifying policy will become a Restricted Relief Qualifying Policy (RRQP) if:

- a declaration is completed within three months of an alteration and the premium limit is exceeded and
- the policy was issued before 21 March 2012 and the premium term extended on or after 21 March 2012
or
- the policy was issued on or after 21 March 2012 and before 6 April 2013.

An altered or extended Qualifying policy will become a Non Qualifying Policy (NQP) if:

- a completed declaration is not received within three months of the alteration
or
- the policy was issued on or after 6 April 2013 and the premium limit is exceeded.

Completion of the declaration within the three month timescale allows the policy to become an RRQP, rather than an NQP, if the premium limit is exceeded.

An assigned Qualifying policy will lose its qualifying status, unless it is used as security for or to discharge a debt, or on assignment to the personal representatives of a deceased individual. If the assignment falls into one of the following categories: part of a divorce settlement; as a result of a court order; between spouses or civil partners; from an individual into a trust or vice versa; or a deceased beneficiary event occurs, then the annual premium limit (as previously detailed) is assessed.

An assigned Qualifying policy will retain its current qualifying status if:

- a declaration has been completed within three months of the assignment and the premium limit has not been exceeded.

An assigned Qualifying policy will become a Restricted Relief Qualifying Policy (RRQP) if:

- a declaration has been completed within three months of the assignment and the premium limit has been exceeded for a Qualifying Policy.

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Calls may be recorded for training or monitoring purposes.

An assigned policy will become a Non Qualifying Policy (NQP) if:

- a declaration has been completed within three months of the assignment and the premium limit has been exceeded for an RRQP
- If a declaration is not completed and returned within three months of the assignment.

Completion of the declaration within the three month timescale allows a qualifying policy to become an RRQP, rather than an NQP, if the limit is exceeded.

The annual premium limit does not need to be assessed if:

- no further premiums are payable to policies effected before 21 March 2012 and
- the assignment is between spouses or civil partners; following a court order; in pursuance of a court order following divorce or dissolution of a civil partnership; into or out of trust or following the death of the original beneficiary.

A fundamental change to an existing policy is treated as a full surrender for chargeable event purposes.

Whose gain is it? We will generally issue the chargeable event gain certificate in the name of the policyholder. If you have any queries about who is liable to pay any possible tax, you can obtain information from your tax office.

Restricted Relief Qualifying Policies (RRQP) Any liability to income tax on a chargeable event gain will be based on the proportion of the total premiums paid in excess of the £3,600.00 limit. This will be for the period from 6 April 2013 (or the date of the alteration/effective date of the policy, if later) to the date of termination.

If your policy has become an RRQP, and has given rise to a chargeable event gain on termination, the relevant certificate will be issued detailing the total gain for the whole policy. You will need to complete any calculation to determine your tax liability on the restricted relief portion of the policy yourself.

Time Apportioned Reductions For any policy assigned; used as security for a debt; with certain variations or set up from 6 April 2013, policyholders who have been resident outside the UK at any time during the life of their policy can take this period into account to proportionately reduce any chargeable event gains. Broadly speaking, gains accruing during an individual's period of residence outside the UK are excluded from the charge to UK tax.

Will Utmost Life and Pensions be informing HM Revenue & Customs? We have a legal requirement to report details of certain chargeable events to HM Revenue & Customs (formerly the Inland Revenue).

Where can I go for further information?

If you require further information or advice on how this may affect your tax situation, you should speak to an accountant or financial adviser. They will inform you of the fee they charge for this service. You can also obtain information from your tax office.

Helpsheet 320: "Gains on UK life insurance policies" is particularly useful and can be obtained from any tax office or downloaded from the HM Revenue & Customs website at www.hmrc.gov.uk.

Every care has been taken to ensure the information in this leaflet is correct and in accordance with our current understanding of the law and HM Revenue & Customs practice. You should note we cannot take on the role of an individual, trustee or corporate adviser. Independent confirmation should be obtained before acting or refraining from acting in reliance upon information provided by Utmost. The law and HM Revenue & Customs practice are subject to change.