

# HOW IS A CHARGEABLE EVENT CALCULATED?

**THE FOLLOWING INFORMATION SHOWS THE BASIC FORMULAS USED WHEN CALCULATING CHARGEABLE EVENTS. THIS ONLY APPLIES TO UK RESIDENT PLAN OWNERS WHO ARE SUBJECT TO THE CHARGEABLE EVENTS LEGISLATION (INDIVIDUAL AND TRUSTEE).**

## **WITHDRAWALS**

Total premium(s) paid x 5% = 5% tax deferred annual allowance

Total withdrawals taken within the policy year minus the 5% allowance (+ any rollover\*) = Excess Gain

\* this is the allowance carried over from previous policy years in which the policy has been in force (i.e. where the full 5% hasn't been taken)

## **SEGMENT SURRENDER**

(Surrender amount paid out for one segment + total withdrawals in proportion to one segment) - (total premiums paid for one segment + previous chargeable excesses in proportion to one segment) = Gain or Loss for one segment.

Gain or Loss for one segment x number of segments surrendered = Gain or Loss

## **FULL SURRENDER/ MATURITY**

The following formula is where segmentation has not previously occurred:

(Surrender amount paid out + total withdrawals) - (total premiums paid + previous chargeable excesses) = Gain or Loss

The following formula is where a segment surrender has previously occurred:

(Surrender amount paid out for one segment + total withdrawals in proportion to one segment) - (total premiums paid for one segment + previous chargeable excesses in proportion to one segment) = Gain or Loss for one segment.

Gain or Loss for one segment x number of segments surrendered = Gain or Loss

## **DEATH**

The following formula is where segmentation has not previously occurred:

(Policy value on the day before death + total withdrawals) - (total premiums paid + previous chargeable excesses) = Gain or Loss

The following formula is where a segment surrender has previously occurred:

(Policy value on the day before death for one segment + total withdrawals in proportion to one segment) - (total premiums paid for one segment + previous chargeable excesses in proportion to one segment) = Gain or Loss for one segment.

Gain or Loss for one segment x number of segments surrendered = Gain or Loss

## **EXTERNAL MANAGEMENT FEES**

Please note that external management charges such as investment advisor fees can count towards the policy owner's 5% allowance.

## **IMPORTANT NOTES**

For financial advisers only. Not to be distributed to, nor relied on by, retail clients.

Every care has been taken to ensure that the information provided is current and in accordance with our understanding of current law and Her Majesty's Revenue and Customs' (HMRC) practice as at March 2019. You should note however, that we cannot take on the role of an individual taxation adviser and independent confirmation should be obtained before acting or refraining from acting upon the information given. The law and HMRC practice are subject to change.