Friends Provident International

Seven key benefits of an offshore policy for UK residents

For advisers only. Not for use with customers.

This guide highlights the key benefits of offshore policies, including flexible investment, long-term growth potential, consolidated holdings and control over access to funds.

1 Tax-efficient investment growth through gross roll-up

A key benefit of an offshore policy is **gross roll-up:** investments inside the policy can grow without immediate income tax or capital gains tax being deducted within the policy each year. This means more of the money can stay invested and grow over time.

Example: A higher rate taxpayer has invested GBP 100,000 into two products. The investments produce a return of 5% (GBP 5,000) in the first year. They do not have any remaining allowances available.

Investment route	Return on investment	Tax rate	Tax liability
Direct investment	GBP 5,000	40%*	GBP 2,000 payable separately, while your funds remain invested.
FPIL Policy	GBP 5,000	NIL	NIL

***from 06 April 2027 increases to 42%**

FPI advantage after year one: GBP 1,800 more remains invested inside the FPI policy and not subject to tax. This extra money can keep growing, which may make a meaningful difference over the long term.

Gross roll-up does not normally remove tax altogether; it defers it. Tax may arise later on a chargeable event, such as a withdrawal above the available allowance, surrender or death, and the final outcome will depend on the client's personal circumstances and the rules in force at the time.

2 Flexible access to your money

Clients can usually take regular or one-off withdrawals from an offshore policy, subject to the terms of the product. This can help with planned spending such as retirement income, school or university fees, family support, or other future needs.

Withdrawals can be planned in a tax-efficient way. For UK tax purposes, clients may be able to withdraw up to 5% of the total amounts invested each policy year on a cumulative, tax-deferred basis. This is not the same as tax-free income; it normally reduces the amount available for tax-deferred withdrawal in future years and may be considered when a taxable event happens later.

A further benefit is the ability to plan the timing of taxable events. Rather than tax being assessed each year as investments produce income or are sold within the policy, a tax charge may arise later when money is withdrawn, the policy is surrendered, or another chargeable event occurs.

3 Choice and control over investments

An offshore policy can offer access to a wide range of investment choices. Depending on the policy, these may include funds, model portfolios, cash options and investment services managed by professional investment managers.

This gives clients the ability to choose an investment approach that reflects their goals, risk profile and time horizon. The policy should be reviewed and adjusted as circumstances change, helping it remain aligned with the client's objectives.

4 Simpler administration

Holding investments through one policy can make administration easier. Instead of managing several separate accounts or products, clients may be able to view and manage their investments through a single structure.

Example: A client has investments spread across different platforms and accounts. By transferring them into a single offshore bond, they can often keep the same investment strategy while benefiting from one policy, one valuation and simpler ongoing administration.

This can reduce paperwork, simplify reporting and make ongoing reviews more straightforward, particularly for clients with international assets or changing personal circumstances.

5 Time apportionment relief

Time Apportionment Relief (TAR) is a tax relief that may reduce a UK chargeable event gain on a life insurance policy to reflect periods when the person liable for tax was non-UK resident.

The reduction is based on the proportion of the relevant policy period during which they were non-UK resident.

As a result, only part of the gain may be taxable. The amount of relief depends on the policy terms and the policy owner's individual circumstances.

For a fuller explanation of TAR, including worked examples, see our separate guide.

6 Estate and family wealth planning

An offshore policy can also support family and estate planning. Depending on the product and the client's objectives, it may be possible to place the policy into trust or assign parts of the policy to family members.

This can help clients plan how wealth may be passed on, provide future financial support for loved ones, or form part of a wider inheritance tax planning strategy.

7 Top-slicing relief

Top Slicing Relief is a tax relief that may help reduce the amount of Income Tax you pay on a gain from an eligible life insurance policy or investment bond. This is because the gain may have built up over a number of years but is treated as arising in a single tax year when it is calculated for tax purposes.

If you are a UK resident, HM Revenue and Customs (HMRC) may compare the tax due on the full gain with the tax that would have been due if the gain had been spread evenly over the years the policy was held. This can help if the full gain would otherwise push more of your income into a higher tax band.

Whether you qualify for Top Slicing Relief, and the amount of any relief available, will depend on your individual circumstances.

For more information, including a worked example, please see our separate guide to Top Slicing Relief.

Important notes

Every care has been taken to ensure that the information provided is correct and reflects our current understanding of the relevant law and HMRC practice.

However, we cannot act as an individual taxation adviser and recommend that independent advice is obtained.

FPI cannot accept any responsibility for any action taken or refrained from being taken as a result of this information. The law and HMRC practice are subject to change.

Friends Provident International Limited: Registered and Head Office: Royal Court, Castletown, Isle of Man, British Isles, IM9 1RA. Isle of Man incorporated company number 11494C. Authorised and regulated by the Isle of Man Financial Services Authority. Provider of life assurance and investment products. **Singapore branch:** 182 Cecil Street, Level 17 Frasers Tower, Singapore 069547. Registered in Singapore No. T06FC6835J. Licensed by the Monetary Authority of Singapore to conduct life insurance business in Singapore. Member of the Life Insurance Association of Singapore. Member of the Singapore Financial Dispute Resolution Scheme. **Hong Kong branch:** A122, 16/F, Tower 5, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong. Authorised by the Insurance Authority of Hong Kong to conduct long-term insurance business in Hong Kong. **Dubai branch:** PO Box 215113, Unit 706, One Za'abeel - The Offices, Za'abeel Palace Street, Za'abeel First, Dubai, UAE. Registered in the United Arab Emirates (UAE) with the Central Bank of the UAE as an insurance company. Registration date, 18 April 2007 (Registration No. 76). Registered with the Ministry of Economy as a foreign company to conduct life assurance and funds accumulation operations (Registration No. 2013). Friends Provident International is a registered trademark and trading name of Friends Provident International Limited.

FPITECH001c 09/26