Reasons to top up

For advisers only. Not for use with customers.

People will always have a reason not to invest, especially when markets are volatile. When markets are low customers can take advantage of future growth opportunities.

Customers may also be able to take advantage of tax efficiencies, especially if they plan to return to the United Kingdom in the future. Making a top-up to their Global Portfolio plan can provide some additional benefits, such as Time Apportionment Relief.

Global Portfolio allows top-ups to your client's plan, using different charging structures and commission rates all within the same plan, providing flexibility and efficiency within the same plan structure. Take a look at some examples of how Time Apportionment Relief can benefit your client's tax position when topping up their Global Portfolio plan.

Time Apportionment Relief (TAR)

This guide only focuses on TAR for plans issued on or after the 6 April 2013.

TAR allows a chargeable gain on a plan to be reduced by any period that the plan owner has been resident outside of the UK.

TAR can only be claimed by the individual for the period in which they beneficially own the rights under the plan (material interest period). TAR is calculated as follows:

$$\text{Total Gain X} \; \frac{\text{Total days as non-UK resident in material interest period}}{\text{Total days in the material interest period}} = \text{TAR}$$

TAR examples

The following examples are for illustration purposes only. The calculation for time-apportionment relief should be applied **after** any calculation for top-slicing relief has been applied.

Example 1

- Mr Smith invested £200,000 into a Global Portfolio in 2014 while he was resident in Singapore
- In 2020 Mr Smith made an additional top-up into the plan of £100,000
- Mr Smith returned to the UK in 2021
- The plan was cancelled in 2022 when it was worth £450,000

The **total gain** (assuming there have been no withdrawals) is calculated as follows:

Exit Value – Payments made = Gain/Loss
£450,000 minus £300,000 = **£150,000**

$$£150{,}000 \times \frac{2{,}555 \text{ days}}{2{,}920 \text{ days}} = \mathbf{£131{,}250}$$

Gain after TAR = **£18,750** (£150,000 - £131,250)

Even though the top-up of £100,000 was made in 2020 it still benefits from TAR for the full 8 years that Mr Smith held a material interest.

Example 2

- Mr Smith invested £200,000 into a Global Portfolio in 2014 while he was resident in Singapore
- In 2016 the plan was assigned to his friend Mr Jones
- In 2020 Mr Jones tops-up his plan with an additional investment of £100,000
- Mr Jones returned to the UK in 2021
- The plan was cancelled in 2022 when it was worth £450,000

The **total gain** (assuming there have been no withdrawals) is calculated as follows:

Exit Value – Payments made = Gain/Loss
£450,000 minus £300,000 = **£150,000**

$$£150{,}000 \times \frac{1{,}825 \text{ days}}{2{,}190 \text{ days}} = \mathbf{£125{,}000}$$

Gain after TAR = **£25,000** (£150,000 - £125,000)

Mr Jones' material interest period only began in 2016 after the plan was assigned into his name. Therefore his material interest period is 2016-2022. He is only able to claim TAR for the period he was non UK resident (2016-2021).

TAR cannot be claimed for the period from 2014-2016 as Mr Jones did not hold a material interest in the plan.

NB: if the plan had been assigned to Mr Jones while he was UK resident there would be no entitlement to TAR.

Taxation – the 5% tax deferred allowance

While an individual is UK tax resident the plan will be subject to chargeable event legislation.

Making a top-up to a Global Portfolio could increase the accumulative 5% tax deferred allowance that is available once the plan owner commences taking any withdrawals from their plan.

Example 1

- Mr Smith invested £200,000 into a Global Portfolio in 2016
- The 5% tax deferred allowance is £10,000 per year
- Mr Smith returns to the UK in 2022 (plan year 7) and starts to take withdrawals from his plan using the annual 5% allowance
- The cumulative 5% tax deferred allowance is £70,000. The 5% allowance per year is £10,000 (£200,000 x 5%)

Plan Year	Plan Year Start Date	Payment	5% Allowance	Cumulative 5% Allowance
1	01/01/2016	£200,000	£10,000	£10,000
2	01/01/2017		£10,000	£20,000
3	01/01/2018		£10,000	£30,000
4	01/01/2019		£10,000	£40,000
5	01/01/2020		£10,000	£50,000
6	01/01/2021		£10,000	£60,000
7	01/01/2022		£10,000	£70,000

Example 2

- Mr Jones invested £200,000 into a Global Portfolio in 2016
- The 5% tax deferred allowance is £10,000 per year
- In 2017, Mr Jones tops-up his plan with an additional investment of £100,000 (plan year 5)
- Mr Jones returns to the UK in 2020 (plan year 7) and starts to take withdrawals from his plan using the annual 5% allowance
- The cumulative 5% tax deferred allowance is £85,000. The 5% allowance per year is £15,000 (£300,000 x 5%)

Plan Year	Plan Year Start Date	Payment	5% Allowance	Cumulative 5% Allowance
1	01/01/2016	£200,000	£10,000	£10,000
2	01/01/2017		£10,000	£20,000
3	01/01/2018		£10,000	£30,000
4	01/01/2019		£10,000	£40,000
5	01/01/2020	£100,000	£15,000	£55,000
6	01/01/2021		£15,000	£70,000
7	01/01/2022		£15,000	£85,000

For more information on how Time Apportionment Relief and Top-slicing can affect your clients, please refer to our Technical page on our website at www.fpinternational.com

For information on topping up your client's Global Portfolio plan, please refer to our website at www.fpinternational.com or speak to your regional sales manager.

Important Notes

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