TALKING POINTS

Why Onshore Investment Bonds – For Small Companies?

In this guide:

- Options for investing surplus company funds
- Reasons to consider an Onshore Investment Bond

The information in this document does not constitute advice and any actions arising should be done in conjunction with your adviser.

Chesnara Life

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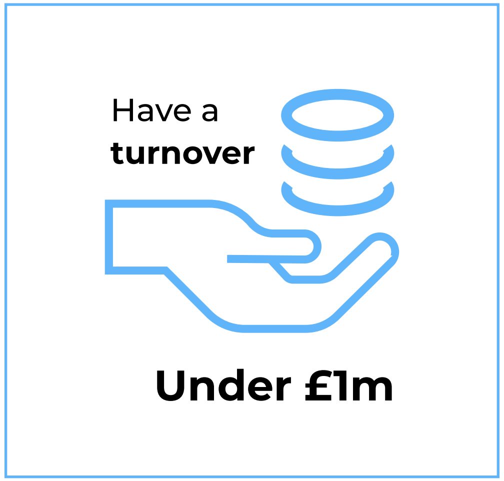
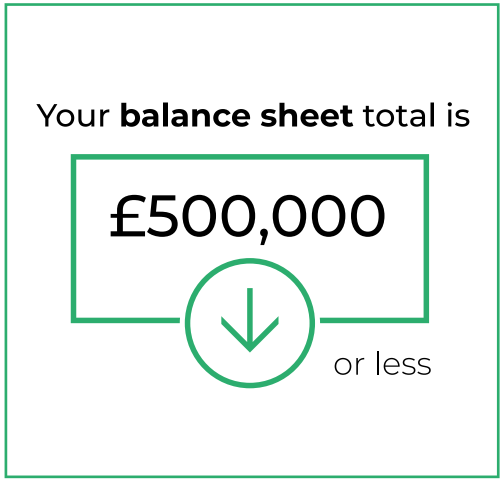
Designed for advisers to use with clients

Introduction

Are you a small company?

You’re classified as a micro entity under the accounting standards if you meet two or more of the following:





Why your adviser might recommend the Chesnara Life Onshore Investment Bond

The Chesnara Life Onshore Investment Bond provides small businesses with a number of benefits:

Potentially higher returns than Cash – The Chesnara Life Onshore Investment Bond taken out by a Company may be a good alternative investment option if a Company holds a surplus amount of cash on deposit which is generating a low rate of return.

General tax planning – depending on the accounting standard adopted, the Bond may be used for general company tax planning.

Low Minimum Investment – The minimum investment into the Chesnara Life Onshore Investment Bond is £25,000. Top-ups of £500 or more can be made.

Investment Choice – The Chesnara Life Onshore Investment Bond provides access to an investment choice of over 3,800 funds (investment Trusts, OEICs, unit Trusts and ETFs) from more than 200 fund managers.

Corporation Tax deferral – Chesnara Life calculates the Tax liability, collects it from the Bond Cash Account and provides a 20% Tax Credit - which can be set against a Corporation Tax liability in the year the Investment Bond is fully surrendered or a part withdrawal takes place. Corporation Tax would be payable on the full surrender or on a part withdrawal from the Bond.

Tax Free Changes – Changes to investment strategy can be implemented without a tax implication.

Multi-life facility – The Chesnara Life Onshore Investment Bond can accommodate up to 10 Lives Assured - unless the Bond is fully surrendered, it will continue until the death of the last surviving life assured.

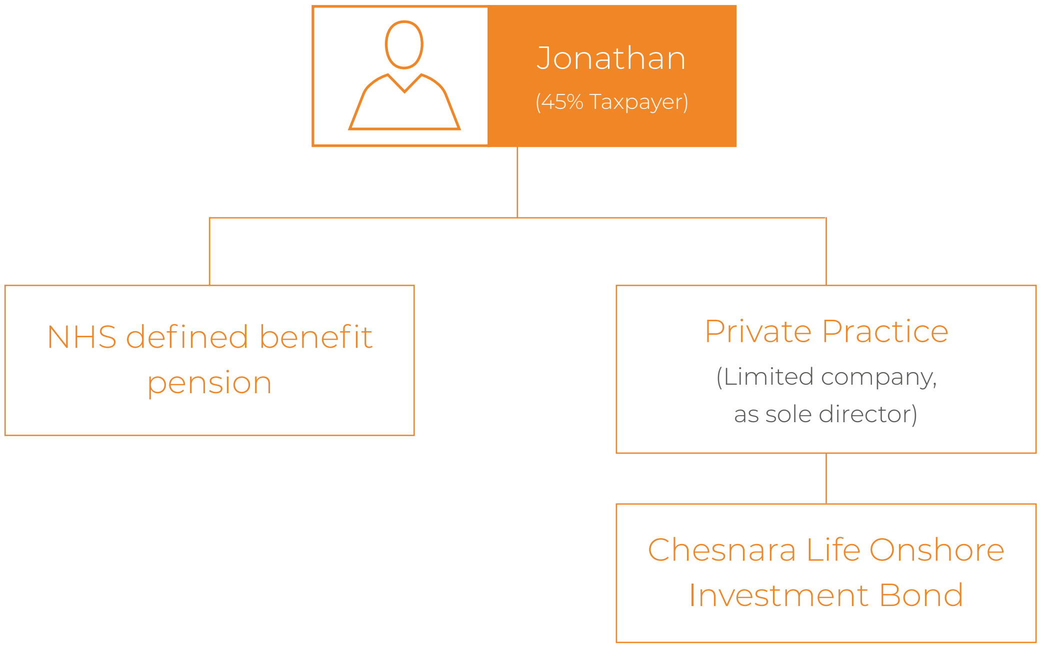
Loan Collateral – The Chesnara Life Onshore Investment Bond can be assigned as security for a loan if funding is required.

Simple Administration – Chesnara Life retain responsibility for ongoing Bond taxation and provide comprehensive six monthly Reports, providing a clear picture of the charges and deductions which apply.

Why your adviser might recommend the Chesnara Life Onshore Investment Bond

Jonathan has been an NHS consultant for many years. He is has an NHS defined benefit pension and uses his full annual contribution allowance every year. He is a 45% taxpayer.

He also runs a private practice through a limited company, as the sole director. He has not taken any money from this company and has built up considerable sums held in savings accounts. He approached his financial adviser for advice on how to invest the company money for longer term growth.



Investing in the Company Bond

On behalf of the company, Jonathan invested £100,000 into the Chesnara Life Onshore Investment Bond. Seven years on, the investment has grown, with no withdrawals taken, and is now worth £180,000.

Jonathan has retired from the NHS but is still in private practice. He decides to start taking money from the Bond and wants to withdraw £25,000.

His company requests a withdrawal for £25,000 and then distributes it to Jonathan as either income or dividends. The rate of Income Tax Jonathan pays will depend on his other income and dividends received. The company will still benefit from deferred Corporation Tax on the rest of the money invested in the Bond, until another withdrawal is taken or the Bond is fully surrendered.

IMPORTANT INFORMATION

The impact of taxation (and any tax reliefs) depends on an investors individual circumstances.

The information contained in this document is based on our understanding and interpretation of current UK tax law and HM Revenue & Customs practice as at April 2024. Tax law and practice may change in the future.

Chesnara Life (UK) Ltd is not responsible for any action an investor may or may not take as a result of information contained in this Guide.

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