Bond School

Session 006 – Bits and bobs about bonds

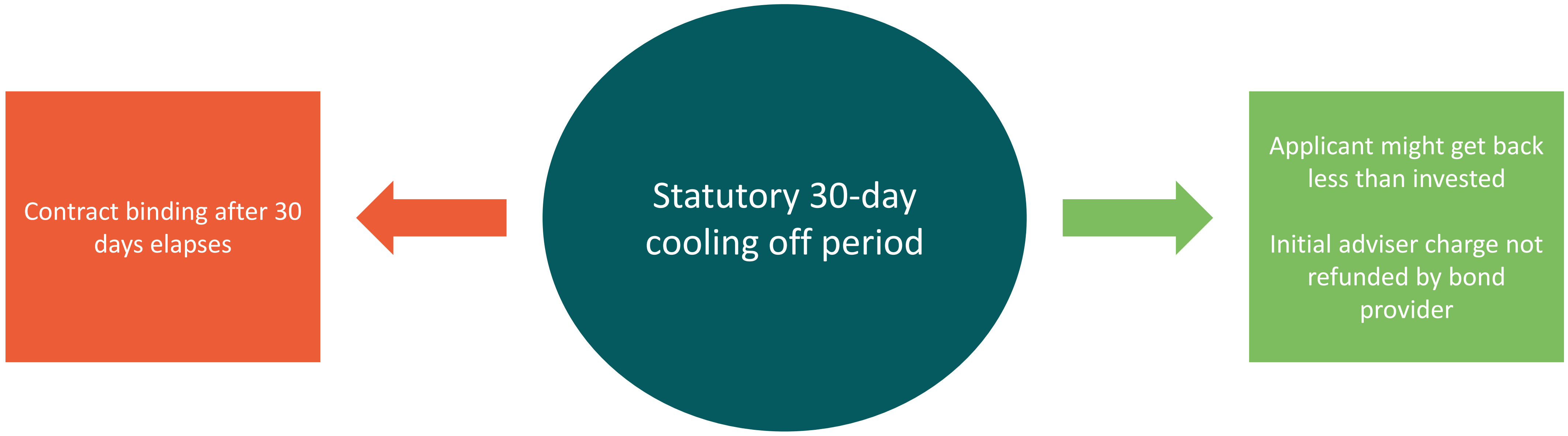
Learning objectives

By the end of this session, you will be able to:

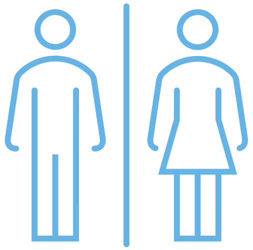
- Evaluate the impact of exercising cancellation rights
- Understand the basics of why bonds can be disregarded for means tested benefits
- Identify when chargeable events on bonds impact Trust Reporting Service obligations
- Describe the self-assessment requirements for individuals and trustees
- Identify when it’s appropriate to use a Gift Assignment

Bond cancellation rights

The cooling off period



The cooling off period



Individuals

Applicants

Key Point
Bond cancelled and money returned to applicants

Trusts

Individual applies but policy issued into trust

Key Point
Bond cancelled and money return to applicants (not trustees as the trust will no longer exist)

Trustee application

Key Point
Bond cancelled and money returned to the trustees (trust still exists)

Bond gains and Trust Registration Service

Who’s liable – Bonds held by trustees?

~~Bare~~

Other

Key point: Bond gain must be assessable at trust rate (n/a if settlor or beneficiary is assessed)

Examples of additional information required on TRS if trust becomes taxable

- Type of trust and how it was set up
- National insurance/passport details for beneficiaries
- The trust's Unique Taxpayer Reference number (once obtained)
- Details about trust assets

Key point: Bond gains assessed at trust rate can be avoided with careful planning

Deadline for updating TRS when trust becomes taxable

Within 90 days of becoming taxable

Risk of £5,000 penalty if trustees don’t keep the register up to date

Bond gains and tax reporting (individuals)

Who must send a tax return

You must send a tax return if, in the last tax year (6 April to 5 April), any of the following applied:

- you were self-employed as a 'sole trader' and earned more than £1,000 (before taking off anything you can claim tax relief on)
- you were a partner in a business partnership
- you had a total taxable income of more than £150,000
- you had to pay Capital Gains Tax when you sold or 'disposed of' something that increased in value
- you had to pay the High Income Child Benefit Charge

You may also need to send a tax return if you have any untaxed income, such as:

- money from renting out a property
- tips and commission
- income from savings, investments and dividends
- foreign income

Bond gains can have an impact here

Bond gains can have an impact here

Bond gains can have an impact here

Check if you need to send a tax return

Use this tool to find out if you need to send a tax return for the 2023 to 2024 tax year (6 April 2023 to 5 April 2024).

This service is also available in Welsh (Cymraeg).

The tool will not send your details to HM Revenue and Customs (HMRC).

Continue

https://www.gov.uk/check-if-you-need-tax-return

4. What was your total income?

Income could be from:

- your pension
- salary before tax and pension contributions
- any taxable benefits (such as a company car)
- property or investments

- [x] Between £0 and £50,000
- [ ] Between £50,000 and £150,000
- [ ] More than £150,000

Next step

6. Did you get more than £10k from savings and investments?

Income from savings and investments includes:

- savings interest - except for interest from Individual Savings Accounts (ISAs)
- money from bare trusts
- interest in possession trusts

◉ Yes, I got more than £10,000 from savings and investments or more than £10,000 from share dividends

You need to send a Self-Assessment tax return

○ No

Key point: Onshore and offshore gains are classed as savings income

4. What was your total income for the year?

Income could be from:

- your pension
- salary before tax and pension contributions
- any taxable benefits (such as a company car)
- property or investments

- Between £0 and £50,000
- ✓ Between £50,000 and £150,000
- More than £150,000

You'll be asked if you claim Child Benefit

Next step

5. Did you claim Child Benefit?

- ✓ Yes
- ✓ No, but my partner did
- ✓ No, but someone claimed it for a child that lived with me at the time and they contributed at least as much as me towards the child's upkeep
- ○ No, I do not have children or did not claim

Next step

You or your partner may need to send a self-assessment tax return

4. What was your total income for the year?

Income could be from:

- your pension
- salary before tax and pension contributions
- any taxable benefits (such as a company car)
- property or investments

- ○ Between £0 and £50,000
- ○ Between £50,000 and £150,000
- ✓ More than £150,000

You need to send a Self-Assessment tax return

Next step

Self-assessment threshold change

From tax year 2023 to 2024 onwards, the Self Assessment threshold for customers taxed through PAYE only, will change from £100,000 to £150,000.

Affected customers do not need to do anything now as the Self Assessment threshold for 2022 to 2023 tax returns remains at £100,000. They will receive a Self Assessment exit letter if they submit a 2022 to 2023 return showing income between £100,000 and £150,000 taxed through PAYE and they do not meet any of the other criteria for submitting a Self Assessment return.

For the 2023 to 2024 tax year onward customers will still need to submit a tax return if their income taxed through PAYE is below £150,000 but they meet one of the other criteria for submitting a Self Assessment return, such as:

- receipt of any untaxed income
- partner in a business partnership
- liability to the High Income Child Benefit Charge
- self-employed individual and with gross income of over £1,000

Customers can check whether they need to submit a return.

Self-assessment: Forms to complete if bond gain triggers self-assessment

Form SA100
self-assessment

Guidance available in help sheets HS320 & HS321

Self-assessment: Additional forms required

Supplementary form SA101 (boxes 4-11)

Onshore bond gain

Supplementary form SA106 (boxes 43 & 44)

Offshore bond gain

Self-assessment: Key points

Deadline of 31 January 2026 for online returns for gains arising in 24/25 tax

Full bond gains (not top-sliced gain) used for total income purposes

Tell HMRC by 5/10/25 if you need to submit return for 1st time for 24/25 tax year

Paper return - deadline is midnight 31/10/25 for 24/25 tax year

Bond gains and tax reporting (trustees)

Who's liable – Bonds held by trustees?

~~Bare~~

Other

Key point: Trustees will only need to file a return if the trust rate applies to the bond gain

Tax reporting for bond gains when trustees are liable

Form SA900
(box 9.15 & 9.16)

Onshore bond gain

Form SA904
(box 4.6)

Offshore bond gain

Guidance available in help sheets HS320 & HS321

Trustees: Bond gain tax reporting key points

Online return deadline of 31 January 2026 for gains arising in 24/25 tax year

Paper return deadline of 31 October 2025 for gains arising in 24/25 tax year

Top-slicing relief is not applicable

No 45% tax credit for beneficiaries

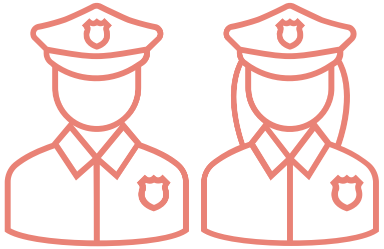
Key point: Bond gains assessed at trust rate can be avoided with careful planning

Gift Assignments

Bond assigned into a Gift Trust

Assignor
(Individual)

Gift must be
"outright"



Assignees
(Trustees)

Key point: Settlor (assignor) explicitly excluded for benefiting from trust fund

Gift assignment to another individual

Assignor

Gift must be “outright”

Assignee

Key point: For the gift to be “outright” the assignor cannot benefit from bond in the future (directly or indirectly)

Gift assignment to another individual

- Income tax efficiency is a by-product, not the purpose
- Settlements legislation applies if the gift is not outright
- If settlements legislation applies the assignor will be liable
- Foreseeable harm? e.g. late tax return penalties

Is a Gift Assignment appropriate?

Answering this question has nothing to do with bond gain tax!

Bonds and means tested benefits

Means tested benefits

Residential Care	Universal Credit	Housing Benefit
Working Tax Credit	Income-based Jobseekers Allowance	Council Tax Support
Child Tax Credit	Income-related Employment and Support Allowance	Income Support

The Law: Residential Care & Universal Credit

House of Commons Library

Paying for adult social care in England

What is (and isn't) classed as capital

Certain capital can be permanently disregarded from the financial assessment, either partially or in-full. This includes, for example, the surrender value of any life assurance policy or annuity, payments in kind from

https://researchbriefings.files.parliament.uk/documents/SN01911/SN01911.pdf

Universal Credit Regulations

Life insurance policies

The law

H2043 The value of a life insurance policy still in force is disregarded indefinitely[1].

1 UC Regs, Sch 10, para 9

Investments which include life insurance

H2044 Investments which include some life insurance are disregarded indefinitely if the agreement states how payment on death is worked out. It does not matter whether the amount paid on death is

1. more than **or**

2. equal to **or**

3. less than

the amount the person would get if the investment is surrendered the day before the date of death[1].

1 R(IS) 7/98

https://assets.publishing.service.gov.uk/media/6798cc97cbd1e3a508a22d5d/admh2.pdf

Deprivation of assets

If a person deliberately gets rid of capital in order to secure or increase their entitlement to a means-tested benefit, it may still affect their benefit. This is known as “deprivation of capital.” A person may be caught by this rule if, for example, they transfer the capital to another person, use it to buy a house, or (unless the benefit claimed is Universal Credit or they are over State Pension age) they use it to pay off a debt which does not need to be paid off immediately.

If it’s decided a person has deliberately deprived themselves of capital, they’re treated as still possessing it, and their benefit may be reduced or stopped accordingly. This is known as “notional capital.”

https://commonslibrary.parliament.uk/how-savings-can-affect-benefits/

Reasons to invest in a bond

Benefit Fraud examples

Not reporting a change in your circumstances

Providing false information

https://www.gov.uk/benefit-fraud

How to protect a gift to someone on benefits?

Gift into a discretionary trust during lifetime

Create a discretionary trust in your Will

If in doubt about impact of bonds and means tested benefits

Check with the relevant benefit agency

The bond provider can't confirm

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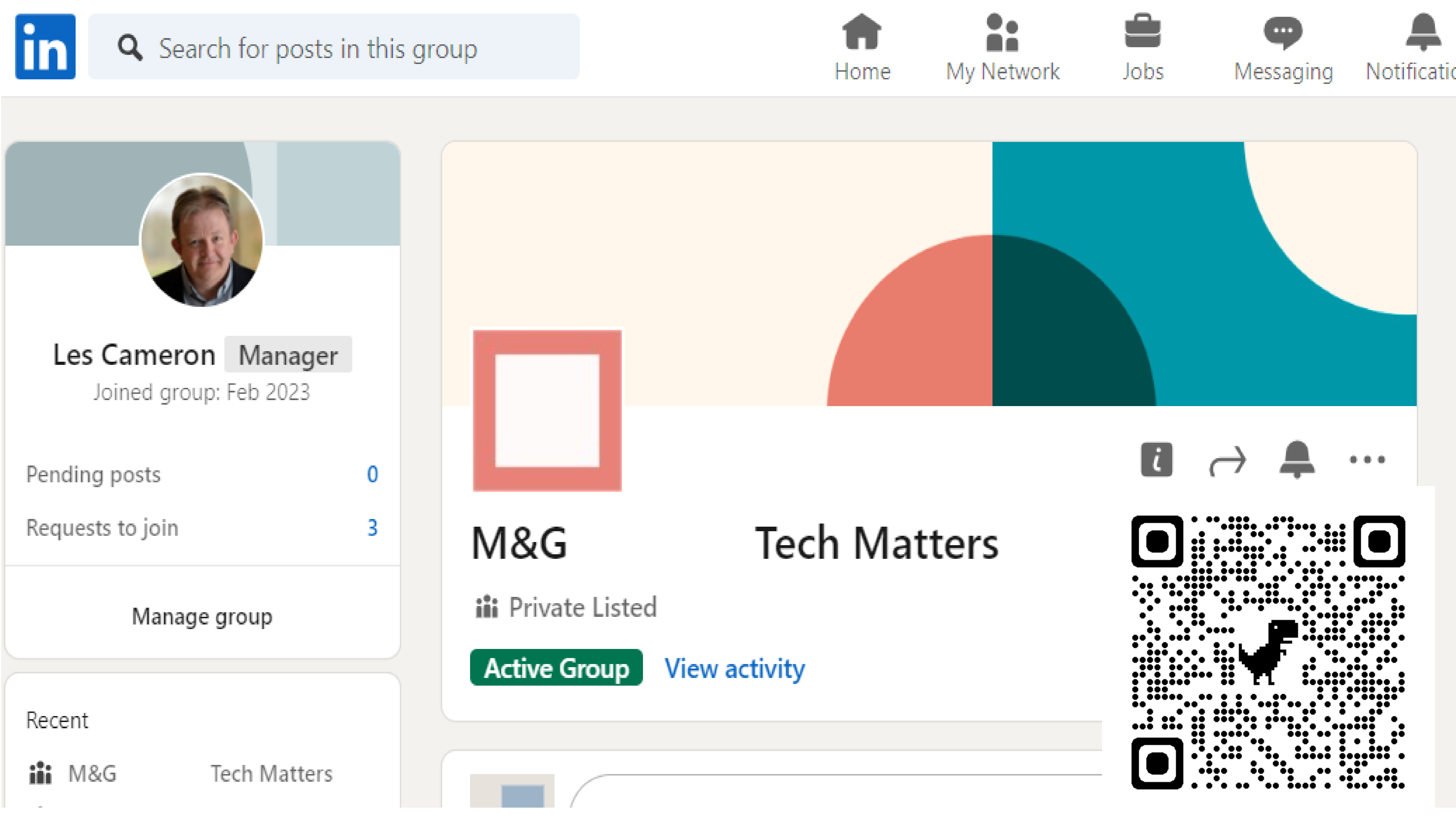
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