Quilter

A guide to corporate investments

For financial advisers looking to provide investment advice to corporate clients

Suitable for financial advice professionals only

This brochure looks at company tax and the opportunities for investing cash held on deposit in alternative products. It covers the key tax principles which apply to investment bonds and collectives held by companies, as well as key considerations for the advice process.

The following brochure only considers products and solutions offered by Quilter. There are many different options available taking into account individuals circumstances and this brochure is purely illustrative.

Contents

Identifying the opportunity

Why do companies have surplus cash and what do you need to consider?

Generally, surplus cash arises where the company has more capital than they would usually require in the short term. The conversation you have with your corporate clients when deciding whether to invest is likely to be very similar to advising individuals - what is their attitude to risk and capacity for loss? To answer these questions the company must consider the factors which apply to their particular company, such as:

- **Seasonal changes –** Where a company's trade alters throughout the year, this may affect their cash flow. Cash which is currently surplus may be needed to carry the company during the low seasons.
- **Expenditure at irregular intervals –** Such as servicing, upgrading, and leasing costs for plant and machinery used by the business. Companies should consider any buffer they may need to cover these costs.

Engaging with the company's accountant may also help in identifying any true surplus.

Alternative uses for surplus cash

A company with surplus cash is likely to have already considered or exhausted the options for distributing the surplus, such as:

	Tax treatment	Deductible for corporation tax
Salary	▸ Income tax on recipient ▸ National insurance on recipient and company	☑
Pension contribution	▸ Limited by recipient's available annual allowance	☑
Dividend distribution	▸ Paid from net company profits ▸ Taxed as dividend income for the recipient	☒

Why invest surplus cash?

1 Beat inflation

- Historically, investing produces better returns
- Market volatility can be smoothed over the longer term

2 Diversification

- Investment across sectors
- The company may select assets which negatively correlate with their usual trade
- Option for ESG investing

3 Corporation tax

- 25% on profits over £250,000
- 19% on profits up to £50,000
- No tax on dividends

Companies will be looking to you to make their money work harder. Interest rates on company bank accounts are usually lower than those offered to individuals. Historically, investing produces better returns and opens opportunities in a wide range of sectors, allowing a company to diversify their portfolio and help reduce market volatility. As their financial adviser, you will also be able to help the company navigate ESG (environmental, social and governance) investing - helping them to select investments which match the company's ethos.

In 2023 the downward trend of corporation tax rates came to an end with the standard rate rising from 19% to 25% from 1 April 2023. However, companies with profits below £50,000 can still benefit from the 19% rate. Despite the higher rates of corporation tax, some business owners may benefit by growing their surplus cash within their company, compared to extracting the cash and holding investments directly.

Taxation of corporate investments

What tax does a company pay?

A company pays corporation tax on profits it makes from:

- doing business (trading profits)
- investment income and gains (covered in this brochure)
- selling assets for more than they cost (chargeable gains).

If the company is based in the UK, it pays corporation tax on all its profits from the UK and abroad.

Rate of tax

Since April 2023 the main rate of corporation tax is 25% for companies with profits over £250,000. Companies with profits of up to £50,000 will benefit from the small profits rate of 19%. Companies with profits between £50,000 and £250,000 benefit from a marginal relief which provides an effective rate of between 19% and 25%.

The table below provides an indication of the effective rate which might apply:

Profits	Taxed at 25%	Relief applied	Tax after the relief	Effective Rate
Up to £50,000	N/A	Small profits rate	£9,500	19%
£100,000	£25,000	£2,250	£22,750	22.75%
£150,000	£37,500	£1,500	£36,000	24%
£200,000	£50,000	£750	£49,250	24.63%
£250,000 +	£62,500	£0	£62,500	25%

How is corporation tax applied to corporate investments?

The answer depends on the type of investments held.

Life assurance and capital redemption policies, debt instruments, and collective investments with less than 40% equity content are classed as **loan relationships**. See below.

All other investments, such as shares and collective investments with 40% plus equity content, are taxed as **capital assets**. See page 7.

Loan relationship rules

Certain investments are viewed as 'loans' between the company and another party. These fall under the 'loan relationship' rules.

The loan relationship legislation was originally introduced in the Finance Act 1996. The Finance Act 2008 extended the loan relationship rules to include:

- Life assurance policies and capital redemption policies (includes onshore and offshore investment bonds)
- Debt instruments and collective investments where the underlying investment was more than 60% invested in non-equity holdings, such as debt-based, stock-cash deposit, fixed interest, or government stock.

The exact treatment of these 'loan relationships' depends on the company's size and the accounting practices which apply.

Company accounting practices

There are two methods for valuing a loan relationship in a company's accounts, fair value and historic cost.

Fair value	Historic cost
The market value of the loan relationship is reported in the company's accounts at the end of each accounting year. Corporation tax will be due if there's an increase in value over the accounting period, regardless of whether there was a disposal or not.	The company reports the historic cost of their loan relationships in their company accounts. The historic cost refers to the purchase cost of the asset. This means the company will only pay corporation tax when all or part of the loan relationship is disposed of.

How do I know which accounting practice applies?

This will usually be dictated by which of the Financial Reporting Standards (FRS) the company falls under. There are four levels: micro, small, medium and large entities. Each standard has its own rules and requirements for preparing the company's accounts. However, as only micro-entities can use the historic cost, it is usually enough to establish if the micro-entities regime can be applied.

Eligibility criteria		
Regime	*Micro-entities regime*	*Small, medium and large entities*
Turnover	Up to £1m	> £1m
Balance sheet	£500,000 or less	> £500,000
Employees	Up to 10	11 +
Valuation practice	**Historic cost**	**Fair value**
Notes	Must not exceed two of the above	

Always check with the company's accountant, as eligibility for the micro-entity regime can change. A company may choose not to adopt the regime, or it may become ineligible if classified as an investment company.

Capital assets

An investment which is not covered by loan relationship rules will be taxed as a capital asset. This Includes collective investments where 40% or more of the underlying assets are invested in equities.

Income	Capital gains
Collectives with 40% or more in equities will declare income as dividends. A company will have no corporation tax liability on dividends it receives. However, dividend distributions from collectives may contain a taxable element. **See page 8** - *Unwrapped investments or investment bond?*	Capital gains are taxed when a disposal takes place, such as a fund switch or surrender.

Unwrapped investments or investment bond?

As part of your advice process, you may consider the merits to holding investments in an unwrapped environment (such as a general investment account) or in an investment bond (such as an onshore or offshore life assurance policy). In this section we'll highlight key considerations.

First, you'll need to establish:

- Whether a company reports historic cost or fair value.
- Risk profile and investment sectors likely to be used.

Both of these factors will affect how and when the company's investments will be taxed.

Product taxation

Income from unwrapped investments

- Distributions are paid gross. Corporation tax is payable on any interest received.
- Not all dividend payments are tax free. Whilst dividends received by companies will usually have no further liability, some dividends paid may have originally come from non-equity sources.

For example, a collective which holds over 40% in equities may also hold money market instruments to balance risk. All distributions from the fund itself will be classed as a dividend. However, some of that distribution may have been generated by the money market instruments.

Where a Quilter Collective Investment Account is used, Quilter will provide a summary of total interest and dividend distributions paid, the account holder (or their accountant) may need to contact the fund manager to determine if any part of a dividend distribution is taxable.

A higher attitude to risk will likely use more equity investments - providing tax-free dividends. However, annual management and reporting of income yields may increase accounting costs.

Onshore bonds

- UK based life assurance companies are liable for corporation tax on income and gains made on the investments held within a bond. The life assurance company will pay the life company rate of corporation tax which is 20%. This is managed and accounted for by the life assurance company. The cost is passed on to the Bond Holder as an account charge. This is known as life fund taxation.
- On the full or part surrender of a bond, the Bond Holder is given a 20% tax credit to use against their own corporation tax liability. The credit cannot be used on the annual fair value reporting of gains.
- The overall life fund tax deducted within the bond may be less than 20% of the growth, depending on the type of investment and account activity. This is because life assurance companies do not pay corporation tax on dividend distributions. Therefore, a bond which derives some of its growth through dividend income will generally have paid less than 20% when considered as a blended rate. Regardless of this, the credit to the Bond Holder is 20%.
- Where the tax treated as paid within the bond is higher than the corporation tax liability on the disposal, the credit may be used against other company profits in the same accounting period.

From April 2027, life companies will pay 22% corporation tax, and the tax credit on bond gains will also rise to 22%

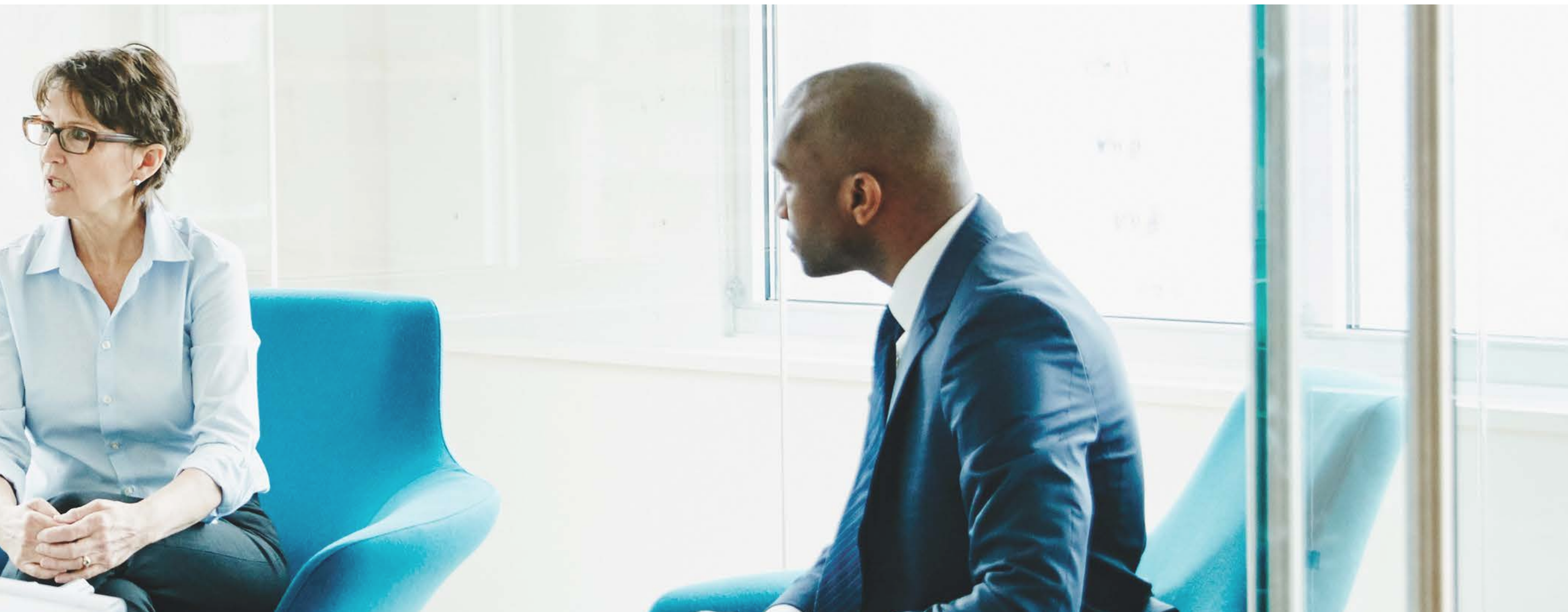
Offshore

No UK corporation tax is paid at source. However, there may be a withholding tax. This is a tax on some dividend and interest income deducted in the country where the income was derived which cannot be reclaimed.

A company which uses the fair value accounting practice is taxed whilst holding an onshore bond. Life fund taxation is paid within the bond, and the company pays corporation tax on annual increases in the bond's value, whereas an offshore bond will have no UK life company tax within it. However, it may be worth keeping the following in mind:

- The fair value reported by the company will be lower than an offshore bond, as the value reported is net of the charges for life fund tax. Therefore, the annual tax paid by the company is potentially lower.
- When the onshore bond is surrendered, there will be a tax credit of 20% (22% from April 27) of the total gain over the bond's lifetime. If the tax credit exceeds the corporation tax liability for the gain on surrender, then the credit can be used against other liabilities the company has in the year of surrender.

It's a good idea to discuss these points with the accountant.



Managing a portfolio

Unwrapped investments

- Gains or losses on disposals, such as switching funds, will need to be reported within the company's accounts. This may mean additional work for the company's accountant, particularly where a portfolio is actively managed.
- Each collective investment fund held within the portfolio may be treated differently.
  - Funds with over 40% equity content are treated as capital assets. Tax is applied to gains which arise from disposals - such as fund switches or sales to cover fees and charges.
  - Other funds will be loan relationships.
    - Companies reporting the fair value of their investments will need to report the value annually in their accounts, regardless of whether any actual disposals take place during the year. The company pays tax on any increase in the year on year value.
    - Those reporting historic cost will report the gain or loss on disposal only.

Investment bonds

- Onshore and offshore bonds are structured differently as the bond provider owns the assets within the bond. The effect of this is that any fund switches will not trigger a gain or loss position for the company, although life fund taxation applies to the onshore bond.

Holding unwrapped equities allows a company reporting the fair value to effectively defer their gains when compared to a bond. This is because no liability arises until a disposal occurs, whereas the same asset held in a bond would be taxed on its fair value.

Investment bonds can provide an advantage to those looking for active fund management as the disposals do not need to be individually reported, saving the accountant time. However, using a risk targeted umbrella fund (fund of funds) in an unwrapped account could be a useful alternative. All the portfolio management takes place within the fund itself; this activity is not reported in the company's accounts.

Realising losses

Loan relationships

Losses (known as non-trading deficits) can be offset against profits in the year of the loss. Companies may also carry forward losses to be used in future years or carry back by 12 months. However, carried-forward losses cannot be used to reduce future profits by more than 50% each year.

Capital assets

Losses on capital assets are known as non-trading losses and cannot be offset against profits made by the company's usual trading activity. However, they can be offset against profits on other capital assets or carried forward where losses are not used in the same accounting period (as there are no gains or a net loss).

Speak to the company's accountant about the advantages and disadvantages of losses on loan relationships vs capital assets. For example, a trading company may make use of losses from loan relationships (investment bonds and over 60% money market collectives) against trading profits.

Summary of tax treatment

The table below summarises how collective investments and investment bonds are taxed when held by a company.

	Collective 40% + invested in equities	Collective 60% + invested in debt / fixed interest and cash	Onshore investment bond	Offshore investment bond
Classification	Capital Asset	Loan Relationship		
Capital growth	Taxed on disposal	**Fair value reporting** Bond surrender value reported end of each accounting year. If the value has increased over the year, then the gain is taxed. Gain or losses on any disposals throughout the year are calculated using the annually re-based value. **Historic cost reporting** Capital growth calculated on occurrence of a disposal.		
Income distributions	No corporation tax on dividends	Corporation tax applied in accounting period in which they arise.	N/A - does not produce income distributions.	

The impact on tax reliefs for shareholders

Holding investments within a company can impact two key tax reliefs available for shareholders in the business. This will be particularly important when advising a client who owns the business as well as running it, as it may have a significant effect on their personal tax planning.

Business relief

Business relief is an inheritance tax (IHT) relief available to individuals holding qualifying investments. Where shares are held in an unlisted company for at least two years, the investment is eligible for business relief and may provide an IHT relief of up to 100% on the value of those shares. Losing this IHT saving could have a significant impact to shareholders who may need additional advice to plan for the additional liability on their death. For some, a lack of IHT planning may see the family business being sold off to fund the IHT bill. There are two parts to keep in mind - does the company qualify for business relief? And, is business relief reduced by excepted assets?

Does the company qualify for business relief?

Shareholders cannot benefit from business relief if the company is classed as an 'investment company'.

What is an investment company?
Where a company mainly deals with securities, stocks and shares, land or buildings, or making or holding investments.
Qualifying conditions Whether or not a business is regarded as wholly or mainly an investment business has been the subject of many legal cases. *Useful guidance was provided in the case of Farmer v IRC (1999) which was to take into account the following factors:* *- the overall context of the business* *- the value of the assets employed in the trading and investment sides of the business* *- the time spent by the directors and employees* *- how turnover is split between trading and investment elements* *- the amount of profit derived from the investment and non-investment sides of the business* More information can be found in HMRC Tax Manual SVM111150
Shares in an investment company will have no business relief.
Will business relief be reduced by excepted assets? The amount of business relief available to shareholders is reduced if the company holds 'excepted assets'.

What are excepted assets?
Assets which aren't needed for future use in the business.
Qualifying conditions Two tests are conducted to identify excepted assets: ▸ The asset must have been used wholly or mainly for the purposes of the business in the two years prior to the transfer of value OR ▸ The asset must be required at the time of the transfer of value for future use for the purposes of the business. More information can be found in HMRC Tax Manual SVM111210
Business relief is reduced if the company holds excepted assets.

As of 6 April 2026 there is a limit to business relief on unlisted shares. The 100% relief will be restricted to the first £2.5million of eligible assets. Business assets in excess of the limit will receive a reduced 50% relief.

Spouses and Civil Partners may transfer any unused allowance on death, providing a potential allowance of £5 million.

Business asset disposal relief

Business asset disposal relief (BADR) provides a reduced rate of 18% (2026/27) capital gains tax on the disposal of a business. The reduced rate applies to gains on qualifying disposals up to a lifetime limit of £1,000,000. A higher rate taxpayer would usually pay 24% on gains; the availability of business asset disposal relief therefore represents a potential saving of £60,000 (6% difference in rate on £1,000,000), which can make all the difference when selling the company on.

Will business relief apply?

Shares in a 'trading company' can qualify for the relief if held for at least two years by a person who is also an employee or director of the company.

Trading company
A company whose activities do not include, to a 'substantial extent', activities other than trading activities.
Substantial extent usually means 20%. Factors considered to identify a trading company: ▸ Turnover from non-trading activities. ▸ The value of trading vs non-trading assets held. ▸ Expenses incurred through non-trading activities. HMRC Tax Manual CG64090
Business asset disposal relief cannot be used against shares in a non-trading company.

Surplus cash also affects tax relief for shareholders

It's worth keeping in mind that a surplus of cash held within the company can itself be considered an investment and result in the loss or reduction of business relief and business asset disposal relief. As this can be a complex area, we recommend seeking further advice from the company's accountant.

Example calculations

***Example A** – onshore investment bond, historic cost accounting*

ABC Limited invests £100,000 at the start of their accounting year on 1 April 2024. The investment grows by 5% each year.

No corporation tax would be due until ABC Limited makes a disposal. The value stated in the accounts at the end of each accounting year would be the same as that shown at the start of the accounting period.

The company makes a partial encashment at the end of their 2029/30 reporting year. From April 2023, corporation tax rates increased from 19% to 25%. However, ABC Limited qualifies for corporation tax relief and pays an effective rate of 24%.

Accounting Year	Value at year beginning	Value at year end	Gain	Tax rate	Tax if fully surrendered	Tax if no surrender
01/04/2024-31/03/2025	£100,000	105,000.00	5,000.00	24%	£1,200	£0
01/04/2025 - 31/03/2026	£105,000	110,250.00	10,250.00	24%	£2,460	£0
01/04/2026 - 31/03/2027	£110,250	115,762.50	15,762.50	24%	£3,783	£0
01/04/2027 - 31/03/2028	£115,763	121,550.63	21,550.63	24%	£5,172	£0
01/04/2028 - 31/03/2029	£121,551	127,628.16	27,628.16	24%	£6,631	£0
01/04/2029 - 31/03/2030	£127,628	134,009.56	34,009.56	24%	£8,162	£0

Part surrenders

Full surrenders: Where fully surrendering the bond, skip straight to step 2 and use the total cost in place of the proportional cost.

ABC Limited makes a withdrawal of £50,000 at the end of the 2029/2030 accounting year where the value is £134,009.56

Part A *- Calculate the surrender gain*

Step 1 - Proportional cost calculation

To work out the gain on this part surrender, we need first work out the cost. The total cost for the bond was £100,000. However, as only part of the bond is surrendered, we need to work out what proportion of the cost is removed.

A = The disposal

B = The value of the holding immediately prior to the surrender

C = Premiums paid

(A / B) x C = Investment cost used by surrender

(£50,000 / £134,009.56) x £100,000 = **£37,300 (Investment cost used by surrender)**

This means of the £100,000 invested, £37,300 will be used up by the surrender. If another part surrender takes place later, a revised cost must be used (£100,000 - £37,300 = £62,700).

Step 2 - Calculate the gain

Proceeds of sale – Proportional cost = Gain / Loss

£50,000 - £37,300 **= £12,700 gain**

Part B - Calculate the gross gain and onshore credit

UK life assurance companies currently pay a rate of 20% corporation tax on the income and gains generated by the underlying funds within the bond. The rate will increase to 22% from April 2027. As our example surrender takes place in 2030, this means ABC limited would have a 22% tax credit which can be used to offset their corporation tax liability on the gain. It also means the gross gain made by the bond is actually higher than the gain calculated in part A. This is because the life company shows the bond's surrender value net of any corporation tax it must pay. A company holding an onshore investment bond must calculate and report the gross gain.

Step 3 - Gross up the gain by 22%

Gain / 0.78 = Gross gain

£12,700 / 0.78 = £16,282

This is the amount that the company will report as a non-trading credit and is taxed at their effective rate of 24% in this example

Step 4 - Calculate the corporation tax on the gross gain

Gross gain X Corporation tax rate = Corporation tax on gross gain

£16,282 x 24% = £3,907 corporation tax

Step 5 - Calculate the onshore bond tax credit

Gross gain X 22% = Onshore bond tax credit

£16,282 x 22% = £3,582

Step 6 - Calculate the corporation tax liability

Corporation tax on gross gain - Onshore bond tax credit

£3,907 - £3,582 **= £325 tax due**

Example calculations

***Example B –** onshore investment bond, fair value accounting*

XYZ Limited invests surplus cash of £100,000 into an onshore investment bond at the beginning of their accounting period on 1 April 2024. The investment grows by 5% each year.

The company's accountant uses the small entities reporting regime and therefore must report the 'fair value' of the investment bond each accounting year.

The company does not qualify for the reduced corporation tax rates and will pay 25%.

Accounting Year	Fair value at year beginning	Fair value reported at year end	Gain	Tax rate	Tax on fair value
01/04/2024-31/03/2025	£100,000	105,000.00	5,000.00	25%	£1,250
01/04/2025 - 31/03/2026	£105,000	110,250.00	5,250.00	25%	£1,313
01/04/2026 - 31/03/2027	£110,250	115,762.50	5,512.50	25%	£1,378
01/04/2027 - 31/03/2028	£115,763	121,550.63	5,788.13	25%	£1,447
01/04/2028 - 31/03/2029	£121,551	127,628.16	6,077.53	25%	£1,519

Each year any growth in the fair value of the bond is taxed at corporation tax rates. The tax due is not deducted from the bond and must be paid by XYZ Limited. The onshore bond tax credit does not apply to the fair value annual tax charge.

Part surrender

Full surrenders: Where fully surrendering the bond, skip straight to step 2 and use the total value at the end of the previous accounting year.

XYZ limited make a part surrender of £50,000 during the 2029/2030 reporting year. The table above shows that at the end of the 2028/2029 year, the bond was worth this figure is £127,628.16. At the time of the encashment, the bond is worth £130,000.

***Part A** - Calculate the fair value gain*

Step 1 - Calculate the fair value cost

To work out the gain on this part surrender, we need first work out the cost. The total cost for the bond was £100,000. However, as the tax is paid on the 'fair value' each year, the 'cost' for the purpose of calculating the gain is the value at the end of the previous accounting period. In this example, this figure is £127,628.16. As only a part surrender is taking place, we must calculate the proportion of cost used.

A = the disposal

B = the value of the holding immediately prior to the surrender

C = the value at the end of the previous accounting year

(A / B) x C = investment cost used by surrender

(£50,000 / £130,000) x £127,628.16 = £ 49,087.75 (investment cost used by the surrender)

Step 2 - Calculate the fair value gain

Proceeds of sale – Proportional cost = Fair value gain / loss

£50,000 - £ 49,087.75 **= £912 gain**

Part B - *Calculate the overall gross gain and onshore credit*

UK life assurance companies pay a rate of 20% corporation tax on the income and gains generated by the underlying funds within the bond. The rate will increase to 22% from April 2027. As our example surrender takes place in 2030, this means XYZ limited would have a 22% tax credit which can be used to offset their corporation tax liability on the gain when the bond is surrendered in full or in part. It also means the actual gain made by the bond is higher than the gains previously reported. This is because the life company shows the bond's surrender value net of any corporation tax it must pay. As a result the a company holding an onshore bond has so far only reported the net value of the bond in its annual accounts. The company must now calculate the gross gain achieved since the beginning of the loan relationship.

Step 3 - Calculate the overall gain

This step requires us to consider the total gain made since the bond's inception.

Surrender value immediately before surrender – total cost = overall gain / loss

£130,000 - £100,000 = £30,000

Step 4 - Proportional overall gain calculation

As this a part surrender, only a proportion of the overall gain applies.

A = the disposal B = the value of the holding immediately prior to the surrender C = the overall gain (step 3) (A / B) x C = Investment cost used by surrender

£50,000 / £130,000 x £30,000 = £11,538

This is the overall gain which can be proportionately attributed to the £50,000 surrendered.

Full surrenders: Where fully surrendering the bond, skip straight to step 5 and use the total cost (£100,000).

Step 5 - Gross up the overall gain by 22%

Overall gain / 0.78 = Gross Overall Gain

£11,538 / 0.78 = £14,792

Continued overleaf

Example B continued

Step 6 - Calculate the onshore bond tax credit

Both the onshore bond tax credit (step 6) and the fair value gain (step 2) are reported in the company's accounts as a non-trading credit.

Gross overall gain X 22% = Onshore bond tax credit

£14,792 x 22% = £3,254

Part C - Calculating the corporation tax liability

Step 7 - The amount assessable to corporation tax

Both the onshore bond tax credit (step 6) and the fair value gain (step 2) are reported in the company's accounts as a non-trading credit.

Step 2 + Step 6 = The amount assessable

£912 + 3,254 = £4,166

Step 8 – Calculate the corporation tax liability

Step 7 X Corporation tax rate = Corporation tax

£4,166 x 25% = £1,041

Step 9 - Deduct the onshore tax credit

Step 8 – Step 6 = Corporation tax liability

£1,041 - £3,254 = £0 liability with an unused credit of £2,213, which may be offset against other liabilities which the company has in the same accounting year.

The remaining bond

Where a part surrender has taken place, the fair value of the remaining bond will also be taxable at the end of the accounting period.

For example. If the remaining bond is worth £81,500 at the end of the year, tax on the fair value will be:

Value at year start (£127,628.16) minus the fair value used by surrender (£ 49,087.75). This gives us an adjusted fair value of:

£127,628.16 - £49,087.75 = £78,540.41

Therefore:

Accounting year	Value at year beginning	Fair value reported at year end	Gain	Tax rate	Tax due on 'fair value'
01/04/2029-31/03/2030	£78,540.41	£81,500	£2,959.59	25%	£739.89

Example calculations

***Example C** – collective investments*

MNO Limited has an investment account which holds two collectives. The tax treatment of collectives depends on their underlying assets:

Collective 1 - UK equity fund with more than 40% of the underlying assets invested in equities. It is therefore taxed as a capital asset. This means there will be no corporation tax until a disposal takes place. Dividends have no further liability.

Collective 2 – UK gilts fund with less than 40% equity and therefore taxed under loan relationships. MNO reports the fair value of its loan relationships on an annual basis and does not qualify for a reduction in corporation tax rates. Interest yields are taxed at corporation tax rates.

A £50,000 investment is placed into each collective at the beginning of MNO's accounting year on 1 April 2024.

Accounting Year	Asset	Value at year beginning	Capital Growth (3.5%)	Income Yield (1.5%)	Year end total value	Tax Rate	Tax on capital growth	Tax on income yield
01/04/2024-31/03/2025	Collective 1	£50,000.00	£1,750.00	£750.00	£52,500.00	25%	£0	£0
	Collective 2	£50,000.00	£1,750.00	£750.00	£52,500.00	25%	£437.50	£187.50
01/04/2025 - 31/03/2026	Collective 1	£52,500.00	£1,837.50	£787.50	£55,125.00	25%	£0	£0
	Collective 2	£52,500.00	£1,837.50	£787.50	£55,125.00	25%	£459.38	£196.88
01/04/2026 - 31/03/2027	Collective 1	£55,125.00	£1,929.38	£826.88	£57,881.25	25%	£0.00	£0.00
	Collective 2	£55,125.00	£1,929.38	£826.88	£57,881.25	25%	£482.34	£206.72
01/04/2027 - 31/03/2028	Collective 1	£57,881.25	£2,025.84	£868.22	£60,775.31	25%	£0	£0
	Collective 2	£57,881.25	£2,025.84	£868.22	£60,775.31	25%	£506.46	£217.05
01/04/2028 - 31/03/2029	Collective 1	£60,775.31	£2,127.14	£911.63	£63,814.08	25%	£0	£0
	Collective 2	£60,775.31	£2,127.14	£911.63	£63,814.08	25%	£531.78	£227.91

For this example, we have assumed:

- 3.5% capital growth and 1.5% income for each fund.
- Income is accumulated at the end of each accounting period.
- Dividend payment is made of qualifying sources and has no taxable element.

Part surrender

MNO Limited surrender £10,000 from each fund at the beginning of the 2029/2030 accounting year. Each fund is worth £64,000 at the time. The gain of each fund is calculated as follows:

Collective 1

Step 1 - Proportionate costs

The amount originally invested is £50,000. As the income has accumulated within the fund, this increases the total cost:

£50,000 + £750 + £787.50 + £826.88 + £868.22 + £911.63 = £54,144.23 (total cost)

As this is a part surrender, only a portion of this cost is being used.

Continued overleaf

Example C continued

A = the disposal B = the value of the holding immediately prior to the surrender C = total cost (A / B) x C = investment cost used by surrender

(£10,000 / £64,000) x £54,144.23 = £8,460.04

Full surrenders: Where fully surrendering the collective, skip straight to step 2 and use the total cost in place of the proportional cost.

Step 2 - Calculate the capital gain

Proceeds of sale – Proportional cost = Gain / Loss

£10,000 - £8,460.04 gain

This is the gain reported by the company, on which tax is paid.

Step 3 - Calculate corporation tax

Gain X Corporation tax rate = Corporation tax

£8,460.04 x 25% = £2,115.01 corporation tax

Collective 2

Step 1 - Calculate the fair value cost

To work out the gain on this part surrender, we first need to work out the cost. The total cost for the collective was £50,000. However, as the tax is paid on the 'fair value' each year, the 'cost' for the purpose of calculating the gain is the value at the end of the previous accounting period. In this example, £63,814.08. As only a part surrender is taking place, we must calculate the proportion of cost used.

A = the disposal B = the value of the holding immediately prior to the surrender C = value at the end of the previous accounting year (A / B) x C = fair value cost

(£10,000 / £64,000) x £63,814.08 = £9,970.95

Step 2 - Calculate the gain

Proceeds of sale – fair value cost = Fair value gain / loss

£10,000 - £9,970.95 = £29.05 gain

Step 3 - Calculate the corporation tax

Fair value gain x Corporation tax rate

£29.05 x 25% = £7.20 corporation tax.

Total liability for both collectives: £2,115.01 + £7.20 = £2,122.21

Quilter, you and your corporate clients

Quilter is part of Quilter plc, a leading UK-focused wealth manager, providing advice-led investment solutions and investment platform services.

We enable you to deliver the very best service to your clients and their families, helping them achieve their financial goals. Our award-winning online investment platform is known for its intuitive user experience, making online processes quick and easy.

Enhanced control and flexibility

Quilter's platform provides an environment where you and your clients can better control their investments. The platform allows for regular reviews, reactions to market developments, and changes to the choice of funds through fund switching. Investing through Quilter's platform allows clients to hold and manage all investments within a single, consolidated portfolio.

Products and services available through the Platform

Our products and services are designed to support any adviser business model, and we continuously evolve them to meet the changing needs of advisers and customers. Our flexible investment solutions available for corporate clients include:

Collective Investment Bond (CIB)

This unit-linked life insurance policy offers a flexible method for investing corporate funds with the potential for growth over the medium to long term. It provides a standard death benefit of 100.1% of the surrender value, linked to funds chosen by you and your clients.

Key benefits:

- **Simplified investment tracking**
  Keep track of investments conveniently with just one set of documents, regardless of the number of funds invested in.
- **Tax reporting efficiency**
  The bond's structure simplifies tax reporting, eliminating the need to report interest, dividend distributions, or gains/losses on the chosen funds.
- **Easy access to funds**
  Access money through regular or single withdrawals and cash in the whole or part of the bond whenever needed.
- **Life assurance cover**
  The CIB provides life assurance cover worth up to 100.1% of the bond's value, with an optional Capital Protected Death Benefit for additional security.

Collective Investment Account (CIA)

This account offers a flexible method for investing corporate funds with no limit on the amount that can be invested. It provides a convenient way to manage investments.

Key benefits:

- **Investment adaptability**
  Spread and adapt chosen assets according to financial goals and risk tolerance.
- **Simplified investment tracking**
  Keep track of investments conveniently with a single set of account documents, regardless of the number of assets invested in.
- **Asset switching**
  Switch assets within the account as needed.
- **Easy access to funds**
  Access money through regular or single withdrawals and cash in the whole or part of the account whenever required.

Collective Investment Account (CIA) held within an offshore bond

An offshore bond brings similar benefits from a tax and administration perspective to the CIB without the life fund tax being applied on the insurer. Where you have decided this is the most suitable option, you may still prefer to manage your clients account on the Quilter platform. This can still be an option via a CIA.

We have a guide on how this works which you can find here:

https://www.quilter.com/4ada0b/siteassets/documents/platform/guides-and-brochures/23637-cia-held-within-an-offshore-bond.pdf

CashHub

More than just a cash savings platform. With access to a range of banks accounts integrated into the Quilter platform, the CashHub offers your corporate clients the ability to:

- Optimise liquidity and the returns on their cash reserves
- Save valuable time by easily managing their cash accounts in one place
- Easily compare a range of cash savings accounts with competitive rates of interest
- Reduce risk by spreading cash across accounts and maximising FSCS protection where available

The CashHub is powered by Bondsmith, a specialist in online cash management solutions.

Need more information?

Contact your local sales consultant who will be able to provide you with more details.

If you're not sure who to speak to please visit our website to find out more:
quilter.com/about-us/our-people/meet-quilters-platform-teams/

This document was last updated in March 2026.

The value of investments can fall as well as rise and investors may not get back what they put in.

This document is based on Quilter's interpretation of the law and HM Revenue and Customs practice as at March 2026. We believe this interpretation is correct, but cannot guarantee it. Tax relief and the tax treatment of investment funds may change.

The value of any tax relief will depend on the investor's individual circumstances.

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Approver: Quilter March 2026

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