For financial advisers only.

Quilter

Net returns calculator

We are often asked whether a bond or a General Investment Account (GIA) is the right choice for a particular client. With the reductions to the CGT annual exempt amount and dividend allowance, followed by the increases in CGT rates, the decision is in the spotlight.

Before looking at the products it is important to consider the client objective(s). Tax planning will often be a key consideration but there may be occasions when the position is less important. For example, bonds are often the primary choice if your client is considering trust planning, either now or in the future.

Why the net returns calculator can help

When considering which product is suitable for your client, it is important to consider the possible net returns and not just the headline gross figures. Our handy ***net returns calculator*** shows potential returns, after tax, on three different investment products; a Collective (or General) Investment Account (GIA), an Offshore Investment Bond and an Onshore Investment Bond.

Tax summary of the three products

Collectives	Offshore bond	Onshore bond
Dividend income above the dividend allowance is taxed at 8.75%, 33.75%, or 39.35%.	No corporation tax is payable on gains made on the funds within the bond (gross roll-up).	UK corporation tax is payable on gains made on the funds within the bond. However, dividends received by the funds are free of tax.
Income generated is subject to income tax at 20%, 40%, or 45%.	If gain is within personal allowance, starting rate for savings and the personal savings allowance then no tax to pay.	Gains are deemed net of basic rate tax (though likely to be less than 20% as no tax suffered on dividends).
Capital gains above the CGT annual exemption are taxed at 18% or 24%.	Basic, higher and additional rate taxpayers will pay 20%, 40% and 45%.	Higher and additional tax payers will pay a further 20 and 25% after the 20% credit.
	Tax deferred withdrawals of up to 5% of the original investment per policy year.	*Tax deferred withdrawals of up to 5% of the original investment per policy year.*

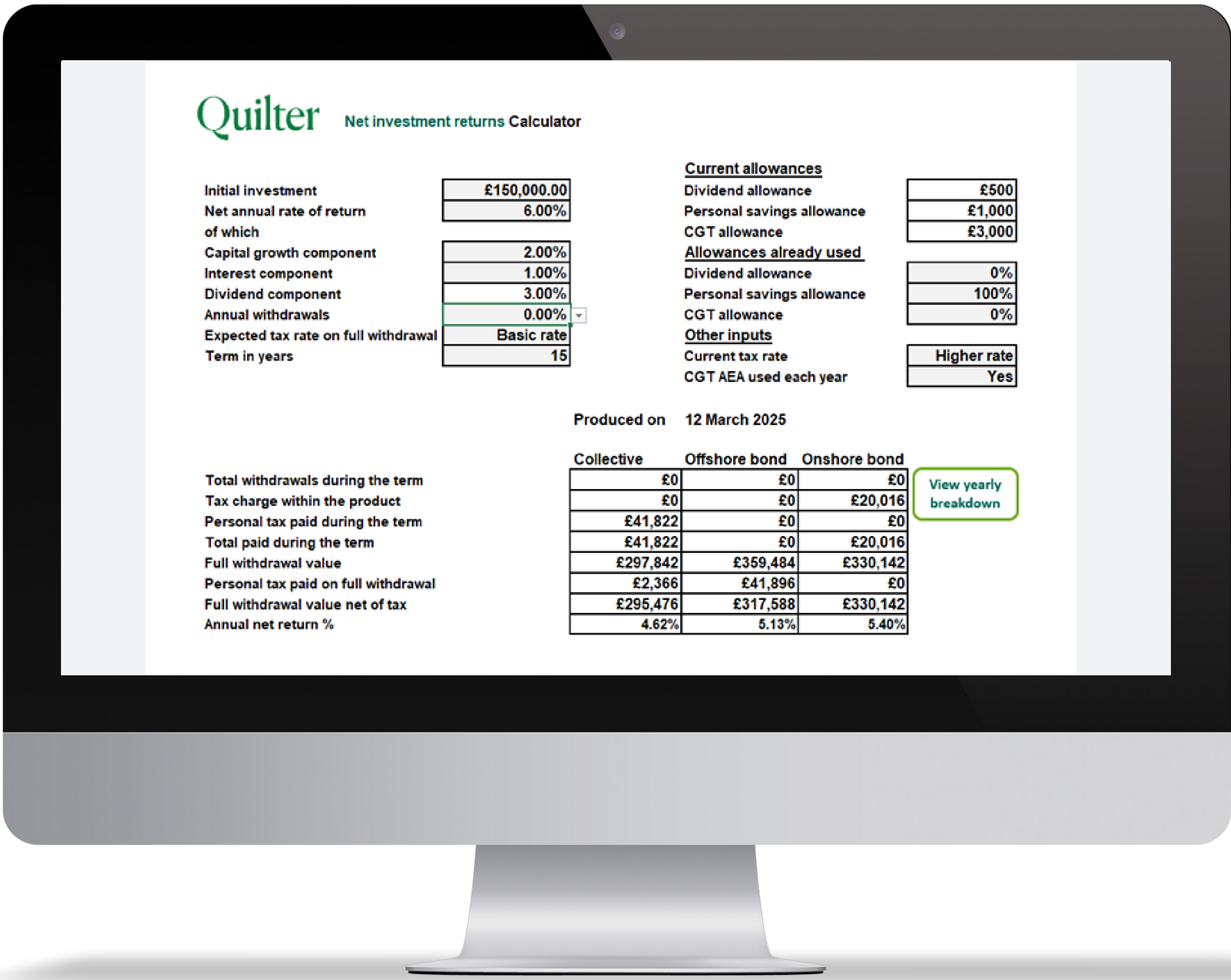
Case studies

When using the calculator, you can enter you own investment assumptions. For the fictional case studies overleaf, we have used a mid-investment return of 6%, achieved through 3% dividend yield, 2% capital growth and 1% interest yield.

Adam

Adam is 55, he is a higher rate taxpayer and has a lump sum of £150,000 to invest. He uses his £500 personal savings allowance through various deposit holdings and makes use of his ISA allowances with a monthly direct debit. His CGT annual exempt amount and dividend allowance are available in full.

His investment horizon is 10 to 15 years when he expects to start drawing down his investments when he retires. He expects to be a basic rate taxpayer by this time.



Quilter **Net investment returns Calculator**

Initial investment	£150,000.00
Net annual rate of return	6.00%
of which	
Capital growth component	2.00%
Interest component	1.00%
Dividend component	3.00%
Annual withdrawals	0.00%
Expected tax rate on full withdrawal	Basic rate
Term in years	15

Current allowances	
Dividend allowance	£500
Personal savings allowance	£1,000
CGT allowance	£3,000
Allowances already used	
Dividend allowance	0%
Personal savings allowance	100%
CGT allowance	0%
Other inputs	
Current tax rate	Higher rate
CGT AEA used each year	Yes

Produced on 12 March 2025

	Collective	Offshore bond	Onshore bond
Total withdrawals during the term	£0	£0	£0
Tax charge within the product	£0	£0	£20,016
Personal tax paid during the term	£41,822	£0	£0
Total paid during the term	£41,822	£0	£20,016
Full withdrawal value	£297,842	£359,484	£330,142
Personal tax paid on full withdrawal	£2,366	£41,896	£0
Full withdrawal value net of tax	£295,476	£317,588	£330,142
Annual net return %	4.62%	5.13%	5.40%

View yearly breakdown

Adam can see the merits of bond investments (compared to a GIA), shielding him from higher rates on dividend and interest yields during the 15-year period.

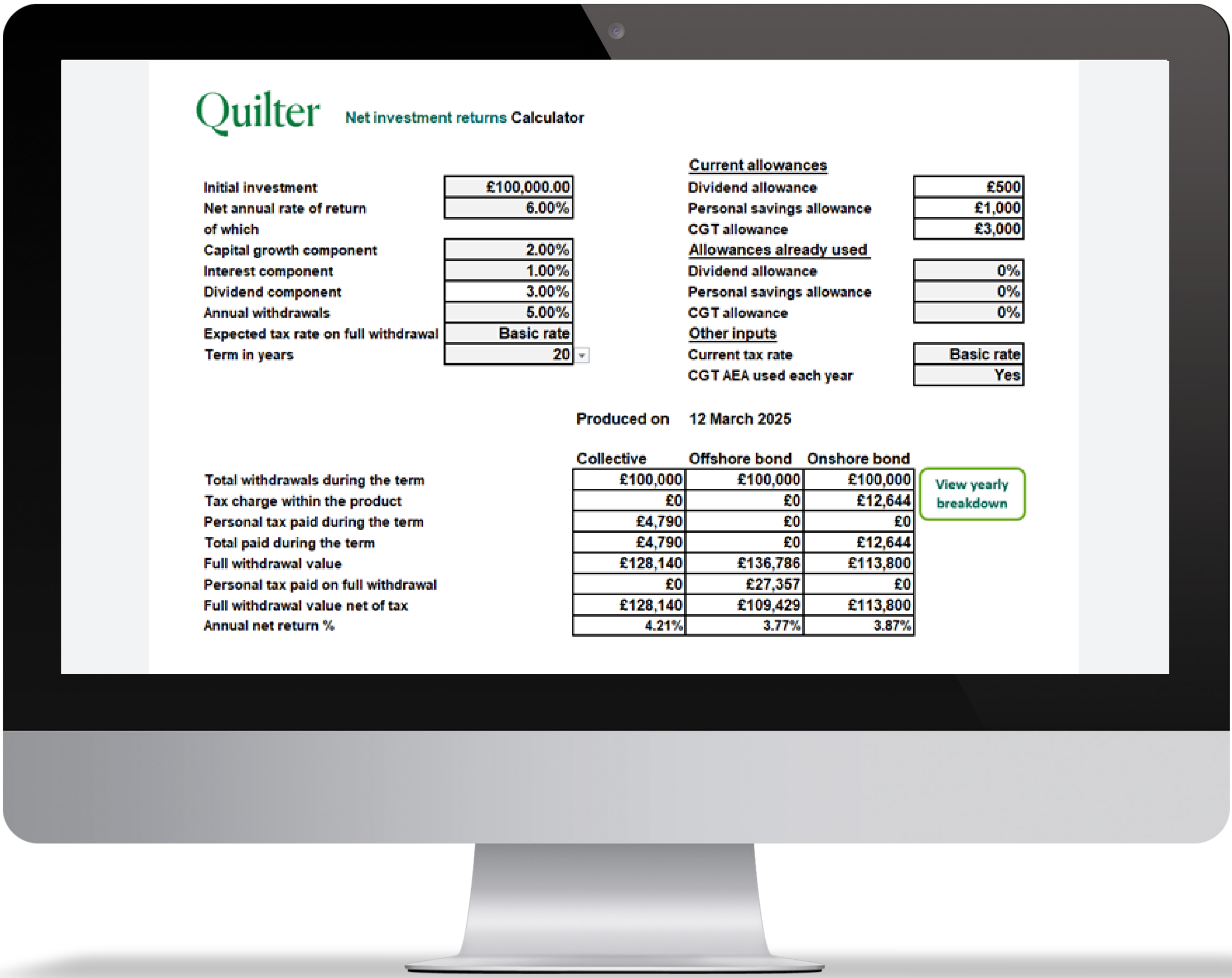
On surrender, Adam expects to be a basic rate taxpayer and would therefore pay 18% CGT on the GIA if any gain exceeds the annual exempt amount, no further tax on the onshore bond gain (as a credit equivalent to 20% is provided for the corporation tax suffered by the provider) and 20% on the offshore bond gain.

Whilst the offshore bond provides better gross returns, the onshore bond provides better net returns, and this is what Adam's adviser recommends for him.

Sarah

Sarah is 65, she is a basic rate taxpayer and has a lump sum of £100,000 to invest. She has used her ISA allowance but has her £1,000 personal savings allowance, CGT annual exempt amount and dividend allowance available in full.

Sarah's investment horizon is 20 years as she intends to use this money to supplement her retirement income by taking 5% (£5,000) of the original capital each year.



Quilter Net investment returns Calculator

Initial investment	£100,000.00
Net annual rate of return	6.00%
of which	
Capital growth component	2.00%
Interest component	1.00%
Dividend component	3.00%
Annual withdrawals	5.00%
Expected tax rate on full withdrawal	Basic rate
Term in years	20

Current allowances	
Dividend allowance	£500
Personal savings allowance	£1,000
CGT allowance	£3,000
Allowances already used	
Dividend allowance	0%
Personal savings allowance	0%
CGT allowance	0%
Other inputs	
Current tax rate	Basic rate
CGT AEA used each year	Yes

Produced on 12 March 2025

	Collective	Offshore bond	Onshore bond
Total withdrawals during the term	£100,000	£100,000	£100,000
Tax charge within the product	£0	£0	£12,644
Personal tax paid during the term	£4,790	£0	£0
Total paid during the term	£4,790	£0	£12,644
Full withdrawal value	£128,140	£136,786	£113,800
Personal tax paid on full withdrawal	£0	£27,357	£0
Full withdrawal value net of tax	£128,140	£109,429	£113,800
Annual net return %	4.21%	3.77%	3.87%

View yearly breakdown

On surrender, the only investment gain that suffers tax is the offshore bond. This suffers a 20% income tax charge. No further tax is due on the onshore bond gain (as a credit equivalent to 20% is provided for the corporation tax suffered by the provider) and the GIA also suffers no tax as the gain has been removed each year through the withdrawals or by rebalancing the GIA on a regular basis within CGT annual exempt amount.

This makes the highest net return the GIA and this is what Sarah's adviser recommends for her.

Other considerations

As mentioned above, tax is one consideration, there are many more. These include:

- the complexity of tax reporting required and associated administration
- the charges imposed by the product provider
- the investment options within the product
- whether wealth will be transferred in future either by making direct gifts or utilising packaged trust solutions
- the general service offered by the provider

The list above is not exhaustive but it does show that each product has its merits. As has always been the case, a number of products to best use the allowances available to your client is the best option.

This document is based on Quilter's interpretation of the law and HM Revenue and Customs practices as at April 2025. We believe this interpretation to be correct but cannot guarantee it. Your clients' investments may fall or rise in value, and they may not get back what they put in.

The case studies are fictional. The figures used have been generated using our net returns calculator that can be found on our website and should be taken as illustrative only.

quilter.com

Published: April 2025
QIP 23636/165/10521