For financial advisers only.

Quilter

Onshore or offshore bonds?

Following the recent fiscal and Autumn Budget changes, more advisers are turning to investment bonds as a way to wrap their clients' wealth tax efficiently.

When considering whether an onshore or offshore bond is right for your client's individual needs, there are a wide number of factors to consider. Clearly, tax is just one of these, alongside other key factors such as service, policyholder protection, cost and flexibility.

Here we look at some of the key benefits to using Quilter's onshore bond and start by challenging the view held by some that gross roll-up on offshore bonds is always better.

Why gross roll-up isn't always better

Gross roll-up may look attractive during the accumulation stage, but the reality is, most clients will want to access that money in the future. And when they do, they will probably be a taxpayer.

Given the freezing of the personal tax allowance, and the fact that the state pension* uses up 95.2% of the personal allowance, very few people (except children) are likely to be non-taxpayers when they access their money. Therefore, net returns are more relevant than gross returns.

**£11,973 a year for the 2025/26 tax year*

Let's look at an example:

£500,000 is invested into an onshore bond and an offshore bond.

Gross value at year 10:

	Onshore Bond	*Offshore Bond*
Gross value	£797,954	£845,996

Net return once money is withdrawn in full at year 10:

	Onshore Bond	*Offshore Bond*
Basic rate taxpayer	**£797,954**	£769,297
Higher rate taxpayer	**£730,864**	£692,598
Additional rate taxpayer	**£714,091**	£673,423

In this example, the onshore bond delivers the following higher net returns compared to an offshore bond:

- **£28,657 equivalent to 0.37% p.a.**
- **£38,266 equivalent to 0.53% p.a.**
- **£40,668 equivalent to 0.58% p.a.**

This example shows how onshore bonds can deliver higher net returns for basic, higher and additional rate taxpayers.

Figures assume a 6% return (2% capital, 3% dividends, 1% interest) and a 0.75% fee. Does not include product charges. Shows money being withdrawn in one go and assumes the gain, after any top slicing relief, does not go into a higher band than shown. Ongoing withdrawals may give a different outcome. This example is fictional and used for illustrative purposes only.

For a non-taxpayer, *gross roll-up is usually beneficial if the gain remains within their allowances (£18,570, includes the starting rate for savings and the Personal Savings Allowance). Where the gain exceeds their allowances the benefits of gross roll up may diminish.*

Gross roll up may be beneficial if the client is non-resident at the point of surrender or a corporate client.

Based on the example above, due to the way the onshore bond is taxed, it provides higher net returns compared to an offshore bond for basic and higher rate taxpayers.

Why net returns may be higher on onshore bonds?

- With an onshore bond, dividends are not subject to corporation tax, so the full amount of basic rate tax will not be suffered, even though the client receives a full basic rate tax credit.
- Higher and additional rate taxpayers will only pay tax on gains on the difference i.e. an extra 20% or 25%.
- As offshore bonds do not pay UK corporation tax, the full amount of basic, higher or additional rate of tax is suffered by the individual on surrender.

Key benefits of Quilter's onshore bond (the Collective Investment Bond):

To check the net returns for your client you can use our *net returns calculator* on our website.

Fully integrated on our award-winning platform
Our bond sits alongside all the other tax wrappers a client needs, creating efficiencies for you and your clients – including a consistent investment strategy across all tax wrappers.

Competitive charging
Including Family Linking.

Simpler administration
Basic rate taxpayers have nothing more to declare on chargeable event gains (provided the gain is within the basic rate threshold).

Enhanced service and support
As an established provider of onshore bonds, we provide the guidance and admin support you and your clients need.

Post-issue trusts and bond splitting
Our bonds can be placed into trust at any time (unlike some providers). Quilter has a range of ten trust solutions – including the popular Lifestyle Trust. We also have an efficient process for bond splitting where required.

Financial Services Compensation Scheme (FSCS)
Onshore bonds benefit from FSCS protection. Offshore bonds from the Isle of Man have a protection scheme available, but no scheme is offered in Ireland.

Get in touch with your Quilter consultant to find out more.

This document is based on Quilter's interpretation of the law and HM Revenue and Customs practices as at February 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.

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Please be aware that calls and electronic communications may be recorded for monitoring, regulatory and training purposes and records are available for at least five years.

Quilter Investment Platform is the trading name of Quilter Life & Pensions Limited which provides a Collective Retirement Account (CRA) and Collective Investment Bond (CIB). Quilter Life & Pensions Limited is registered in England and Wales under number 4163431.

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