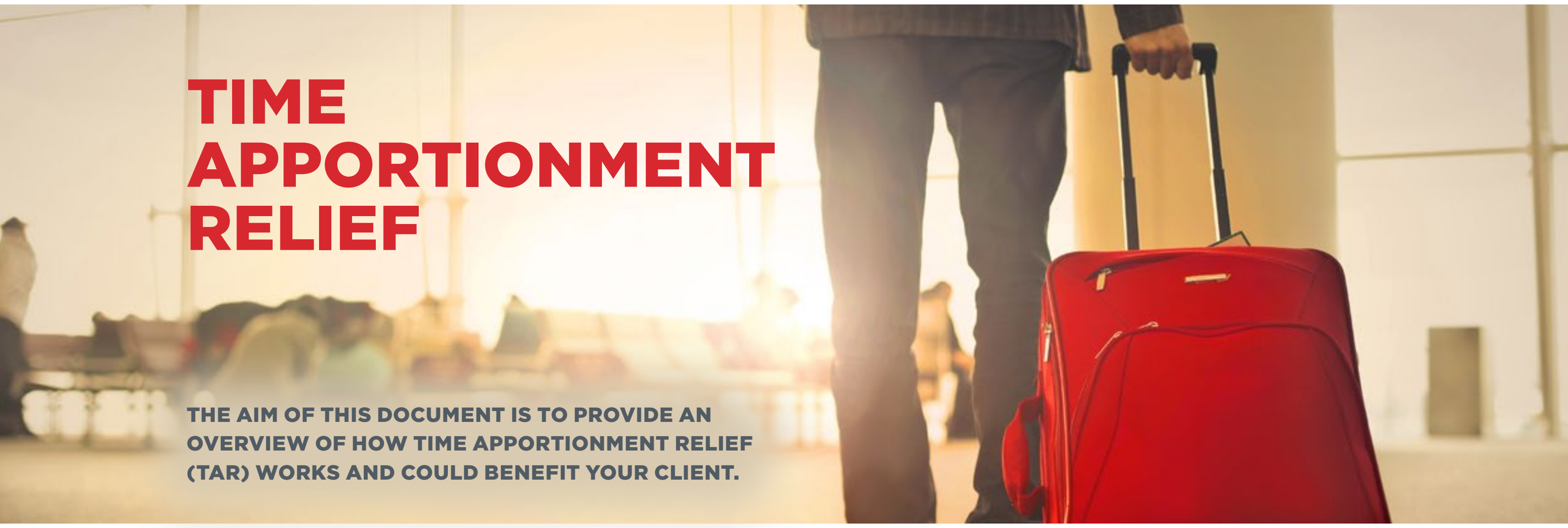

TIME APPORTIONMENT RELIEF

THE AIM OF THIS DOCUMENT IS TO PROVIDE AN OVERVIEW OF HOW TIME APPORTIONMENT RELIEF (TAR) WORKS AND COULD BENEFIT YOUR CLIENT.

WHAT IS TAR?

TAR is a relief that can be applied to a UK chargeable gain. It allows the chargeable gain to be proportionately reduced by the amount of time the policy owner has been resident outside of the UK during the term of the policy.

WHO CAN APPLY FOR TAR?

TAR can be claimed where the liability for tax on the chargeable event falls on an individual or the personal representatives or trustees of a deceased individual. It cannot be claimed if the policy has ever been owned by a non-UK resident trustee.

HOW IS TAR CALCULATED?

The method for calculating TAR is different depending on whether the policy falls under the pre 6 April 2013 or post 5 April 2013 rules.

! Policies issued prior to 6 April 2013 can be treated as being issued after 5 April 2013 where any of the following changes have been made on or after 6 April 2013:

- Policy is varied to increase the benefits payable (i.e. it is topped up)
- Policy is assigned to another individual (except between a spouse or civil partner who live together) or into a trust
- Policy rights are held as security for a debt of the individual

Policies issued prior to 6 April 2013

TAR can be claimed for the period where the legal owner of the policy was resident outside of the UK for the period the policy has been in force. The calculation is as follows:

$$\text{Total Gain X } \frac{\text{The period of residence of the policyholder outside of the UK whilst the policy is in force in days}}{\text{Total period in days the policy has been in force}} = \text{TAR}$$

EXAMPLE 1

- Mr Jones invested £100,000 into a PIMS policy in 2000 while he was resident in the Thailand
- Mr Jones returned to the UK in 2020
- The policy was surrendered in 2022 when it was worth £450,000

The **total gain** (assuming there have been no withdrawals) is calculated as follows:

£450,000 (surrender value) minus £100,000 (premiums paid) = **£350,000**

$$\text{£350,000 X } \frac{\text{7,300 days}}{\text{8,030 days}} = \textbf{£318,181}$$

Total gain after TAR = **£31,819** (£350,000 - £318,181)

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Policies issued or treated as being issued post 5 April 2013

TAR can only be claimed by the individual for the period in which they beneficially own the rights under the policy or contract **(material interest period)**. The calculation is as follows:

$$\text{Total Gain X} \ \frac{\text{Total days as non-UK resident in material interest period}}{\text{Total days in the material interest period}} = \text{TAR}$$

EXAMPLE 1

- Mr Smith invested £100,000 into a PIMS policy in 2012 while he was resident in the UAE
- In 2020 Mr Smith made an additional top-up into the policy of £100,000
- Mr Smith returned to the UK in 2021
- The policy was surrendered in 2022 when it was worth £450,000

The **total gain** (assuming there have been no withdrawals) is calculated as follows:

£450,000 (surrender value) minus £200,000 (premiums paid) = **£250,000**

$$\text{£250,000 X} \ \frac{\text{3,285 days}}{\text{3,650 days}} = \textbf{£225,000}$$

Gain after TAR = **£25,000** (£250,000 - £225,000)

Even though the top-up of £100,000 was made in 2020 it still benefits from TAR for the full 10 years that Mr Smith held a material interest.

EXAMPLE 2

- Mr Smith invested £100,000 into a PIMS policy in 2012 while he was resident in the UAE.
- In 2016 the policy was assigned to his friend Mr Jones
- In 2020 Mr Jones made an additional top-up into the policy of £100,000
- Mr Jones returned to the UK in 2021
- The policy was surrendered in 2022 when it was worth £450,000

The **total gain** (assuming there have been no withdrawals) is calculated as follows:

£450,000 (surrender value) minus £200,000 (premiums paid) = **£250,000**

$$\text{£250,000 X} \ \frac{\text{1,825 days}}{\text{2,190 days}} = \textbf{£208,333}$$

Gain after TAR = **£41,667** (£250,000 - £208,333)

Although the policy was issued prior to April 2013, the assignment after April 2013 means the policy is treated under the post April 2013 rules.

Mr Jones is only able to claim TAR for the period that he was non-UK resident during the time he held a material interest in the policy 2016-2022.

TAR cannot be claimed for the period from 2012-2016 as Mr Smith held the material interest.

NB: if the policy had been assigned to Mr Jones while he was UK resident there would be no entitlement to TAR.

QUICK TAR CALCULATOR

Use the quick calculator below to obtain an indication of potential TAR relief. The calculator provides an estimate based on your inputs and should only be used as an indication. Please TAB through each field.

Premiums paid	
Surrender value	
Days as non-UK resident while owning the policy	
Days policy in force while owning the policy	
Gain after TAR	

IMPORTANT NOTES

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