

Time Apportionment Relief



For financial advisers only.

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 Reserve 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**



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

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

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 Reserve 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**



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

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 Reserve 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**



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

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.

Important Notes

For financial advisers only. Not to be distributed to, nor relied on by retail clients.

This information is to be used by financial advisers only. Friends Provident International Limited accepts no liability for any action taken or not taken by an individual or a firm as a result of the contents of this material. The tax treatments and information contained in this document are based on our understanding of current tax law and HMRC practice as at August 2023 and may be subject to change in the future.

Whilst we have made every effort to ensure the accuracy of this material, we cannot accept responsibility for any consequence (financial or otherwise) arising from relying on it.

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

Friends Provident International Limited: Registered and Head Office: Royal Court, Castletown, Isle of Man, British Isles, IM9 1RA. Isle of Man incorporated company number 11494C. Authorised and regulated by the Isle of Man Financial Services Authority. Provider of life assurance and investment products. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request. **Singapore branch:** 182 Cecil Street, Level 17 Frasers Tower, Singapore 069547. Registered in Singapore No. T06FC6835J. Licensed by the Monetary Authority of Singapore to conduct life insurance business in Singapore. Member of the Life Insurance Association of Singapore. Member of the Singapore Financial Dispute Resolution Scheme. **Hong Kong branch:** 803, 8/F., One Kowloon, No.1 Wang Yuen Street, Kowloon Bay, Hong Kong. Authorised by the Insurance Authority of Hong Kong to conduct long-term insurance business in Hong Kong. **Dubai branch:** PO Box 215113, Emaar Square, Building 6, Floor 5, Dubai, United Arab Emirates. Registered in the United Arab Emirates with the UAE Insurance Authority as an insurance company. Registration date, 18 April 2007 (Registration No. 76). Registered with the Ministry of Economy as a foreign company to conduct life assurance and funds accumulation operations (Registration No. 2013). Friends Provident International is a registered trademark and trading name of Friends Provident International Limited.