Case Study: Investment Bond Surrender

How to mitigate the income tax charge due on an investment bond surrender

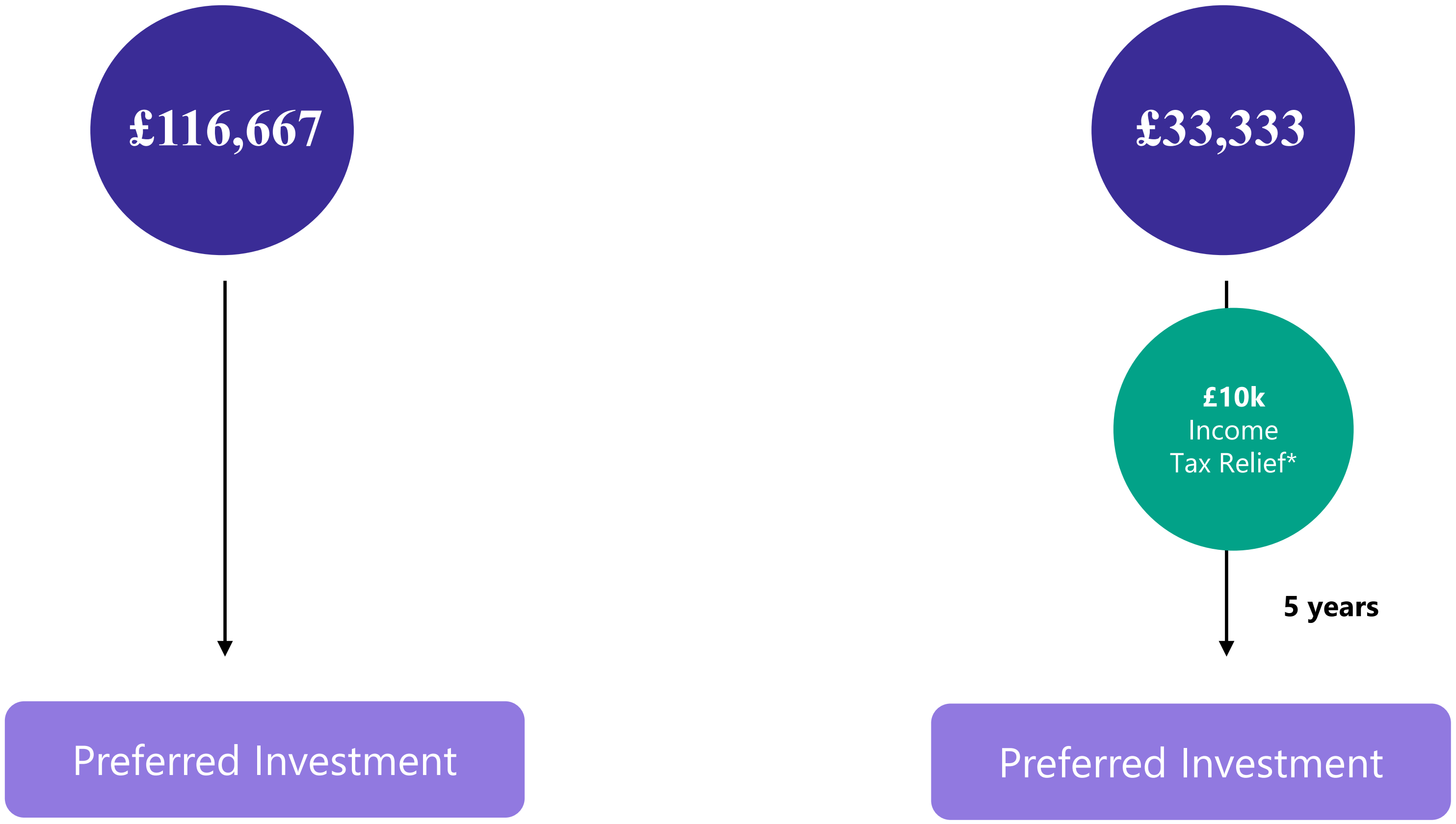
8 years ago, Mrs Dudley, a higher rate taxpayer, invested £100k into an investment bond which is now worth £150k

Deterrent to surrendering the bond

Mrs Dudley would like to move her assets to a new investment but is concerned about the tax charge she would face.

This could be overcome by making a VCT investment.

£50k gain = £10k income tax charge



*This offsets the tax charge on surrender of the bond

Capital invested is at risk. Tax treatment is subject to change and depends on individual circumstances. Tax year 2025/26.

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The opportunities described in this document are NOT suitable for all investors. Key risks are explained in the Information Memoranda/Investor Guides and should be carefully considered before submitting an application to invest.

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Tax reliefs are dependent on the VCT maintaining its qualifying status and on investors' individual circumstances. If a VCT loses its qualifying status, tax advantages will be withdrawn from that point. VCTs usually trade at a discount to their net asset value. It may be difficult to exit VCTs and they should be considered as long-term investments.

Investments will be made in small unquoted companies, which carry a higher risk than many other forms of investment. The VCT investments are likely to be illiquid and difficult to realise. The value of shares and income from them may go down as well as up, and past performance is not a reliable indicator of future performance and may not be repeated. Your capital is at risk and you may lose all the money you invest.

If you are in any doubt about the content of this document and/or what action you should take, you should seek advice from an independent financial adviser authorised under FSMA who specialises in advising on opportunities of this type.