

Will my Plan be taxed?

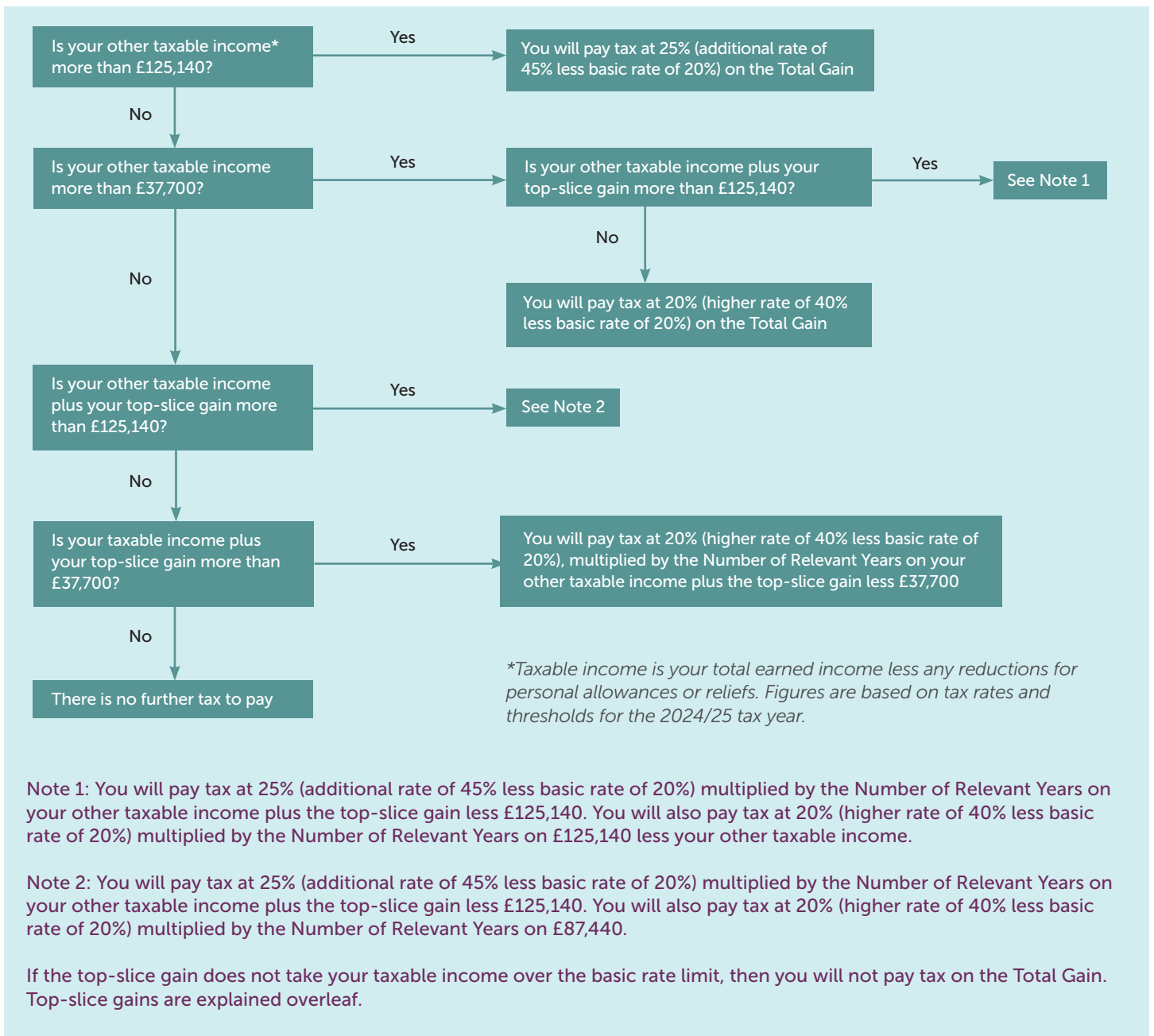
Factsheet 2024/25 tax year

This factsheet summarises the tax situation applying to the Forester Life Savings & Investment Plan. You should read this factsheet if you are encashing all or part of your Plan.

How am I affected?

Forester Life is liable for tax on the income and growth of the fund to which your Savings & Investment Plan is linked. The tax we have paid cannot be reclaimed regardless of your tax position. This effectively takes care of the liability for the basic rate of tax; so for the majority of investors there is no further tax to pay.

However, depending on your personal circumstances, there may be further tax to pay. You can also lose some, or all, of your Personal or Married Couple's Allowances. The chart below shows whether you will have to pay further tax:



Note 1: You will pay tax at 25% (additional rate of 45% less basic rate of 20%) multiplied by the Number of Relevant Years on your other taxable income plus the top-slice gain less £125,140. You will also pay tax at 20% (higher rate of 40% less basic rate of 20%) multiplied by the Number of Relevant Years on £125,140 less your other taxable income.

Note 2: You will pay tax at 25% (additional rate of 45% less basic rate of 20%) multiplied by the Number of Relevant Years on your other taxable income plus the top-slice gain less £125,140. You will also pay tax at 20% (higher rate of 40% less basic rate of 20%) multiplied by the Number of Relevant Years on £87,440.

If the top-slice gain does not take your taxable income over the basic rate limit, then you will not pay tax on the Total Gain. Top-slice gains are explained overleaf.

What is the top-slice gain?

The top-slice gain is the amount of 'Total Gain' on your Plan divided by the 'Number of Relevant Years' your Plan has been in force. Both these figures are quoted on any 'Chargeable Event Certificate' we send you. For example, if the Total Gain is £17,500 and the Number of Relevant Years is 10, then the top-slice gain is £1,750. A Chargeable Event Certificate is a document which provides you with details of any gains made on your Plan. A Chargeable Event Certificate is issued when you withdraw your Savings & Investment Plan and you have made a Chargeable Gain.

How much tax will be due?

If the top-slice gain plus your other taxable income exceeds the basic rate limit (£37,700), then you will pay tax on the gain. To work out the tax, you can use the table overleaf. You will need to know the amount of your other taxable income and the amount of your taxable income plus the top-slice gain. If the top-slice gain does not take your taxable income over the basic rate limit, then you will not pay tax on the Total Gain.

Please note that if your Savings & Investment Plan was issued prior to January 2007, you may be liable to tax on any partial withdrawal in excess of a tax deferred allowance of 5% pa (for up to 20 years), regardless of whether an investment gain has been made. Please contact us on 0333 600 0333 for further information regarding this matter.

When and how to report the gain

If you need to report the Total Gain, then you should do so on the relevant tax return. For example, if the Date of Chargeable Event occurs between 6 April 2024 and 5 April 2025 then you should report it on your 2024/25 tax return. If necessary, please ask HM Revenue & Customs for a tax return.

Enter the Total Gain and the Number of Relevant Years in the section for 'Life insurance gains'. You may have to request a copy of the 'Additional information' supplementary pages from HM Revenue & Customs.

Any queries on your own tax position should be referred to HM Revenue and Customs, your accountant or your tax adviser. They will also be able to tell you whether you need to complete a tax return and how much you need to pay.

Personal and Married Couple's Allowances

In addition to the above, there can be further tax implications. Everyone is entitled to a Personal Allowance which is the amount you can earn before you pay tax (£12,570 for 2024/25). If you or your spouse or civil partner were born before 6 April 1935 you may also receive a Married Couple's Allowance (£11,080 for 2024/25).

However, the Married Couple's Allowance is reduced by £1 for every £2 your Adjusted Net Income (as defined in Section 58 of the Incomes Taxes Act 2007) exceeds £37,000, although it cannot fall below £4,280. Furthermore, the Personal Allowance is reduced by £1 for every £2 that your Adjusted Net Income exceeds £100,000, although it cannot fall below zero. In calculating your Adjusted Net Income, the Total Gain (not just the top-slice gain) is added to other relevant income.

In addition, you should note that if your Adjusted Net Income exceeds £60,000 this will be taken into account in any assessment to the High Income Child Benefit Tax Charge.

Important Note

This factsheet is designed only as a summary of the complex tax rules applying to non-qualifying life assurance plans. As individual circumstances may vary, you should seek further guidance on your personal tax situation. This information is based on our current understanding of legislation and tax practices as at March 2024, which may change at any time in the future.

As tax on savings income has not been devolved to Scotland, Scottish taxpayers pay the same tax as the rest of the UK on savings income.

For more information please telephone us on 0333 600 0333 or visit our website at [foresters.com](https://www.foresters.com)