Taxation of investments and pensions

This is a wide ranging subject as it has many variables and will as ever depend on your individual circumstances, i.e. the types of asset you hold and what you do with them. For example if you are in receipt of funds from any particular asset, or they are simply held within an investment funds – this will dictate whether you pay tax, what sort, how much and when it will be payable.

Unfortunately it isn't possible to completely avoid paying taxes – what we can help you to do is to try and make sure your finances are arranged in the most tax efficient way so that you pay no more tax than you are meant to. We do this through effective planning and use of all available allowances. Below is a list of the most common investments and how (if at all) they are taxed:

Investment type	**Taxation**
Cash savings (bank, building society)	tax payers have income tax on interest deducted at 20% by the institution (non tax payers can claim it back by completing form R85)
Cash ISA	no tax on interest and no tax due on surrendering investment -however if you withdraw funds from an ISA it loses its ISA status and you cannot pay it back in, but funds can be transferred to a new product
Stocks & Shares ISA	no tax on growth or surrender – same rules apply as above (disinvesting an ISA means it loses its ISA status) and no tax payable on dividends paid within the ISA wrapper
Investment Bonds	20% tax is paid on the insurance company fund so no further tax is due to be paid by basic rate tax payers on surrendering a bond; though income tax may be due if the chargeable event (surrender) causes your annual income to enter the higher rate tax bracket
Endowments	providing they meet the criteria for a 'qualifying policy' there will be no tax to pay when the proceeds mature, if not then income tax may be due depending on your current rate of tax
OEICs/mutual funds	capital gains taxable but only when sold or given away ('change of beneficial ownership') and tax is only due when the gains made exceed the annual allowance of £10,900 (per person) and will be taxed at either 18% or 28% depending on your total taxable income. Gains and losses can be offset and losses carried forward indefinitely. Dividends are taxable at 10% for basic rate tax payers and potentially an additional 22.5% on the gross dividend if you are a higher rate tax payer (through your tax return).
Pension funds	Drawdown income (in retirement) is taxable under income tax rules, so the normal tax rates apply however NI is not deducted from the gross amount. No Capital Gains Tax applies on selling or switching funds.
Other assets – property, rental income	Property other than your main home is liable for Capital Gains Tax when sold, and if rented out the income will be liable for income tax

This is not an exhaustive list (and is in relation to personal assets only) but it shows the most common types of assets and their taxation. They won't all apply all at the same time; e.g. if you are not drawing an income or you are not invested in dividend paying assets then you will not have to contend with being charged additional tax.