

QUESTIONS AND ANSWERS FOR CAPITAL GAINS REPORTING

For financial advisers only

1. WHAT ARE CAPITAL GAINS?

Capital Gains (or losses) may arise on certain assets when they are sold for more (or less) than they cost to buy. Such gains or losses may apply to investment fund units when they are sold to pay for charges as well as withdrawals.

2. WHAT DOES THE OLD MUTUAL WEALTH CAPITAL GAINS REPORTING TOOL DO?

The tool is designed to provide a gain or loss position for a client's Collective Investment Account (CIA). The information in the report can help a client and their tax advisers identify whether there is any capital gains tax (CGT) to pay for gains in the previous tax year or losses which they may wish to record. It does not calculate the tax owed as we do not know:

- what other investments or holdings they may hold off platform
- what gains or losses they have already created
- their income tax status which dictates whether CGT is payable at 18% or 28% (or both)
- if they have used partly or fully their annual exempt amount (£10,600 for the 2011/2012 and 2012/2013 tax years) which is taxed at 0%.

3. WHAT REPORTS ARE AVAILABLE AND WHAT DO THEY PROVIDE?

There are four reports available in PDF or CSV format.

- Capital Gains – report for previous tax year. The adviser can produce these at any time.
- Notional disposal – report showing tax position for part or full disposal mid tax year.
- Transactional history – details of the calculations for Capital Gains.
- What if – report on disposal planning with a view to maximising tax planning opportunities.

4. CAN FINANCIAL ADVISERS SAVE THE REPORTS?

Financial advisers will be able to create various reports throughout the year but will need to save locally all the reports created. Old Mutual Wealth cannot save or view the ad hoc reports created. Any queries on a report must initially be directed through normal Old Mutual Wealth channels.

5. WHAT OLD MUTUAL WEALTH PRODUCTS DOES THE CAPITAL GAINS REPORTING TOOL APPLY TO?

The Capital Gains reporting tool provides reports for the Collective Investment Account (CIA) only. It cannot take account of any other holdings or investments the client may have. If a client has more than one CIA it will provide an individual report for each CIA and not bulk these together. For CIA's held jointly, the report will show gains or losses with no assumptions of ownership split.

6. WHAT IS OLD MUTUAL WEALTH'S RESPONSIBILITY FOR CAPITAL GAINS REPORTING?

Old Mutual Wealth does not have a legal responsibility to provide Capital Gains Tax (CGT) reports (unlike income tax reporting) but we recognise that this added-value service will enable clients and advisers to complete relevant tax returns more easily.



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7. WHY HAS OLD MUTUAL WEALTH DEVELOPED THIS TOOL?

With more and more people investing in CIA type products, following recent tax changes, there is an increasing need for a convenient way to calculate Capital Gains. The tool has been developed in response to that need.

8. WHO CAN ACCESS THE TOOL AND HOW?

The tool can only be accessed by financial advisers via Old Mutual Wealth's platform. Clients cannot access the tool.

9. WHY CAN'T CLIENTS ACCESS THE TOOL?

Capital Gains is a complex area and the tool may create many questions needing advice. Old Mutual Wealth does not give advice to clients.

10. DOES OLD MUTUAL WEALTH CHARGE FOR USE OF ITS CAPITAL GAINS REPORTING TOOL?

Currently the tool is available free for advisers to use. There are four types of report. We will monitor the use of these reports and ensure we maximise the benefits we offer to advisers and clients without incurring unnecessary costs.

11. WHAT USER GUIDES AND SUPPORT MATERIAL ARE AVAILABLE?

Our resource centre provides information including:
Video, interactive user guide, Knowledge Direct articles and PowerPoint presentations.

12. WHAT IS THE CONTACT POINT FOR QUERIES ABOUT THE TOOL?

In the first instance if the support material found at www.oldmutualwealth.co.uk does not address requirements, please contact Old Mutual Wealth through normal channels.

13. CAN THE REPORTS BE WHITE LABELLED?

Currently Old Mutual Wealth is not offering a white label service on the reports available.

14. OTHER ASSETS (LIKE SHARES) BE INCLUDED IN THE CALCULATION?

No, the tool only calculates the gain or loss position of existing CIA holdings and can not take into account any other assets.

15. CAN THE TOOL PRODUCE REPORTS FOR RE-REGISTERED FUNDS AND POLICIES MIGRATED FROM THE OLD MUTUAL WEALTH MULTIFUNDS PLATFORM?

Yes – the tool allows acquisition price details, often referred to as the 'take on positions' to be amended. However, each line of holding needs to be amended and any known transactions accounted for. Old Mutual Wealth does not have this data, nor can we obtain it for each client and holding. Additional information on this is available at www.oldmutualwealth.co.uk/adviser/cgtreporting/

16. WHAT HAPPENS IF AN ACCOUNT HAS BEEN CLOSED, CAN I GET A CGT REPORT FOR MY CLIENT?

In the case of closed policies it's a breach of the Data Protection Act to provide data to a third party of customer information.
In such cases we can only provide data directly to the customer, or with the customer's direct consent in writing.

17. I AM GOING INTO 'WORK WITH CLIENT' AND CLICKING ON 'CAPITAL GAINS CALCULATION'. I AM EITHER GETTING A BLANK SCREEN OR NOTHING IS HAPPENING, WHAT DO I DO?

This is likely to be a security settings issue. Please try the following:

- Add both www.platform.oldmutualwealth.co.uk/ and <https://trinity.financialsoftware.co.uk/> to your Trusted Sites zone by selecting Tools from the browser window and then follow these steps: Internet Options>Security Tab>Select trusted sites>Click on Sites and ADD...
- Check that Active Scripting is Enabled for the Trusted Sites zone by again selecting tools as above and then Internet Options>Security Tab>Custom Level>
- Enable Compatibility Mode by again selecting Tools and selecting Compatibility View.

18. WHAT DOES 'CALCULATION INCOMPLETE', 'SET FOR RECALCULATION' OR 'THIS CLIENT HAS UNRECONCILED HOLDINGS' (WHICH CAN APPEAR IN RED ON TOP OF THE STATEMENT) MEAN ON THE REPORTS PRODUCED?

This means that new transactions have been applied to the account and the account has to go through the recalculation process to generate the latest CGT position. Usually this will not affect the tax position for last year. It's a simple process to recalculate the account – just click on 'Tools' and then 'Calculate' and this will trigger a recalculation. You will receive a message confirming that the recalculation was successful (or in isolated cases that it was not successful – in which case it would need to be investigated by us). Once recalculated you need to refresh the screen which requires you to re-enter the client account number and click on 'find'.

19. ON THE CAPITAL GAINS TAX REPORT, (FA 2010) AND (FA PRE 2010) APPEARS – WHAT DOES THAT MEAN?

Finance Act 2010 introduced changes to the rates of CGT for gains arising on or after 23 June 2010 (ie part way through the tax year). This is only a consideration for the 2010/2011 tax year and the overall gain in the tax year remains unchanged; the amount of gain arising in this tax year is simply split out to make reporting easier.

20. MY CLIENT HAS DIED AND THE CIA HAS NOW CHANGED OWNERSHIP, SHOULD WE BE USING THE VALUES AS AT THE DATE OF PROBATE FOR THE ACQUISITION PRICES?

The valuation date depends on whether the transfer was either a pecuniary legacy, treated as transferred to beneficiary on date of death even if it took longer so probate values would be used, or a contingent legacy when the values would be as at the date the executors completed the transfer to the beneficiary.

21. WHAT IS THE DIFFERENCE BETWEEN THE CAPITAL GAINS TAX REPORT AND THE CAPITAL GAINS TAX SUMMARY?

For the 2010/2011 tax year there is a requirement to show gains pre and post 23 June 2010 as different rates of tax may apply to gains realised post 23 June. This is reflected in the Capital Gains Tax Report only. The summary provides an individual calculation for each for each line of stock rather than the whole holding view. This may be useful where a client holds similar assets off platform and needs to consider the wider section 104 holdings implications.

22. WHY DOES THE CAPITAL GAINS REPORTING TOOL NOT TREAT THE OLD MUTUAL WEALTH INITIAL CHARGE AS ALLOWABLE EXPENDITURE WHEN CALCULATING CAPITAL GAINS?

Old Mutual Wealth's current interpretation of section 38 TCGA 1992 is that allowable incidental costs must be wholly and exclusively incurred when acquiring or disposing of an asset.

The deduction from the amount invested is an Old Mutual Wealth charge and it is not wholly and exclusively incurred as a result of investing in the underlying funds. Instead, investing via the platform means all costs and charges are incurred as a result of using a platform administration service. The charges are not incurred by the investor when the underlying assets are acquired.

This means that neither the initial charge nor the initial commission funded by the charge are allowable expenditure when calculating gains. The acquisition cost is therefore the amount actually invested in units.

Important information relating to the calculations.

The disclaimer for the reports clearly states that, although the reports have been provided in good faith, clients and their advisers should always seek independent tax advice and we do not accept any liability for actions taken or refrained from being taken due to the contents of any report provided.

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